

City of Kingman, Arizona



**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017
With Report of
Certified Public Accountants**

CITY OF KINGMAN, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CITY OF KINGMAN, ARIZONA

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INTRODUCTORY SECTION

December 27, 2017

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Kingman:

The 2017 Comprehensive Annual Financial Report (CAFR) of the City of Kingman, Arizona for the fiscal year ended June 30, 2017, is submitted in accordance with Arizona Revised Statutes, Section 9-481. Because the cost of internal controls should not outweigh their benefits, the City of Kingman's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Kingman's financial statements have been audited by HintonBurdick, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Kingman for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors, concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Kingman's financial statement for the fiscal year ended June 30, 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Kingman was part of a broader, federally mandated Single Audit as required by the provisions of the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited entity's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available as part of the Comprehensive Annual Financial Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Kingman's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City of Kingman, incorporated in 1952, is located in northwestern Arizona at the intersection of Interstate 40 and U.S. 93. The City's boundaries enclose 33 square miles in Mohave County and serve a population of 29,472 and enjoy a mild climate at an elevation of 3,345 feet.

The City of Kingman operates under the council-manager form of government. The City Council, which as the policy-making and legislative authority, consists of a Mayor and a six-member council. The Council is responsible for, among other things, passing ordinances, resolutions and adopting the annual budget. They also appoint committees and hire the City Manager, City Attorney and Magistrate. The City Manager is responsible for carrying out the policies, ordinances and resolutions of the Council, and for overseeing the day-to-day operations of the City. The City Council is elected on a nonpartisan "at large" basis. Council members are elected to four-year staggered terms with three council members elected every two years. The qualified electors of the City directly elect the Mayor for a two-year term.

The City of Kingman provides a full range of services, including police and fire services; planning, zoning, and building code enforcement; the construction and maintenance of streets and other infrastructure; recreational activities and cultural events; and public transit system. The City of Kingman also operates a municipal water, sewer and sanitation utility that presently serves approximately 19,500 customers.

The annual budget serves as the foundation for the City of Kingman's financial planning and control. All departments evaluate their programs and services classifying the values and priorities of the citizens of Kingman. The City Manager reviews department requests and may recommend changes to department priorities and/or projects. The City Manager then presents a proposed, balanced budget to City Council for review. The proposed budget is presented in April or May of each year. The proposed budget with any additions or deletions then becomes the tentative budget which is presented for adoption before fiscal year-end. The tentative budget for all funds is then presented to the City Council for final adoption. The budget is prepared by fund and by department (e.g. police, fire, court, etc.). Department heads may transfer resources within a department as necessary to provide essential services in the most cost-effective way as long as the appropriation transfer is within the total amount of available departmental resources, with the exception of personnel and capital expenditure transfers which require approval of the City Manager. Transfers between departments also require approval of the City Manager, and transfers between funds require special approval from the City Council.

Arizona state law requires only two budgetary funds be established, however, additional budgetary funds may be created. The first fund required by state statute is the general fund which stipulates that each city or town prepare a full and complete statement of the financial matters of the political subdivision for the preceding fiscal year and an estimate of the amounts which will be required to meet the public expense for the next fiscal year. The second fund that each city and town in Arizona must establish is the Highway User Revenue Fund (HURF). The monies included in this fund are collected by the state from the tax on the sale of gasoline, sale of diesel fuels and other transportation related fees. The state then shares a certain amount of this revenue with cities and towns. The expenditure of highway user revenues is limited to projects within the public right-of-way.

As indicated in the previous paragraph, a total of two funds are required as a minimum in a city or town budget in the state of Arizona; however a state law requires a budget be shown for all governmental funds established. Therefore, the City of Kingman prepared budget to actual schedules for all governmental funds.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Kingman operates.

Local Economy. In the early years, Kingman's economy was based upon the mining of gold, silver, copper, and later molybdenum. More recently, Kingman has become a regional trade, service and distribution center for northwestern Arizona. Its strategic location relative to Los Angeles, Las Vegas, Phoenix, Laughlin, and the Grand Canyon has made tourism, manufacturing and distribution leading industries.

Kingman enjoys a favorable economic environment and has experienced considerable growth during the last 20 years. The Arizona Department of Administration estimates Kingman's current population at 29,472. The City supports a market area trade population of some 50,000 persons. The unemployment rate, as of June 2017, was 6.1 percent. This is above the state's rate of 5.1 percent and equal to the county's rate of 6.1 percent.

Long-Term Financial Planning. The City of Kingman is dedicated to enhancing the quality of life for its citizens and to provide municipal services in the most effective and efficient manner while exercising fiscal responsibility.

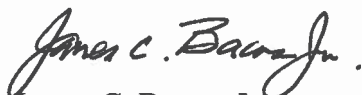
A Revenue and Fee Study updated in October 2008 provides a long-term financial plan to fund capital projects and ongoing operating expenses. The long-term plan includes changes to rates and fees over time and incremental changes in sales tax rates to fund needs. Many of these provisions have already been adopted by the City Council including a recent designation for two percent of room tax dollars to fund capital projects and a recent designation of bar and restaurant tax revenues to fund street maintenance items. Provisions of the plan enable current and future residents an affordable way to fund capital improvements and maintain essential City services.

The City has completed several major capital projects this year and has plans for additional projects. Infrastructure improvements including curbs, subsurface drainage, and water and sewer utilities were constructed this fiscal year. Construction of a splash pad, which was primarily funded by community donations thanks to the efforts of the Venture Club, was completed this year. Street improvements to Eastern Street are under design and will ultimately result in widening the widely-used access street to at least two lanes and include a turning lane. Design of Kingman Crossing Boulevard is also underway. This project, upon completion, will act as an access road to and from the east bench area. Most importantly, it will give the City's public safety services an alternate access route to the east bench area which will greatly improve response times. Other capital projects in progress include replacement of water lines, sewer extensions, water and sewer GIS mapping, water master plan update, multiple drainage projects, completion of the design for Fire Station 5, and the first phase of a multi-phase financial reporting, payroll, HR and utility billing software conversion.

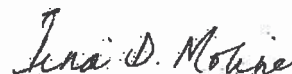
ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and members of the City Council for their interest and support for maintaining the highest standards of professionalism in the management of the City of Kingman's finances.

Respectfully submitted,



James C. Bacon, Jr.
Interim City Manager



Tina D. Moline
Financial Services Director

City of Kingman

City Council Members

Mayor, Monica Gates
Vice Mayor, Jen Miles
Vickie Kress
Travis Lingenfelter
Jamie Scott-Stehly
David Wayt
Stuart Yocum

City Manager

John A. Dougherty

City Attorney

Carl Cooper

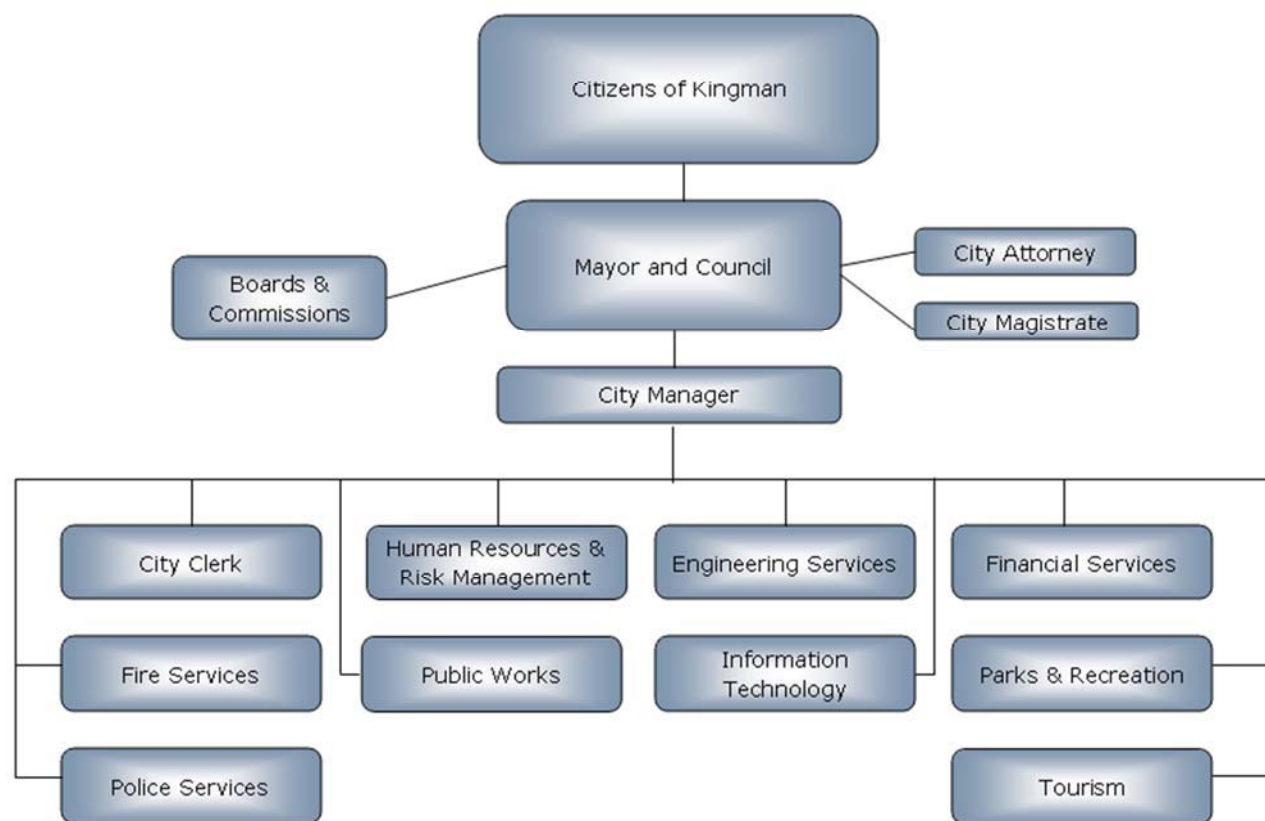
Magistrate

Jeffrey Singer

Departments

City Clerk	Sydney Muhle
Engineering Services	Greg Henry
Financial Services	Tina D. Moline
Fire Services	Jake Rhoades
Human Resources & Risk Mgt.	Jackie Walker
Information Technology	Joe Clos
Parks & Recreation	Mike Meersman
Police Services	Robert DeVries
Public Works	Rob Owen
Tourism	Josh Noble

City of Kingman Organization Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Kingman
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

FINANCIAL SECTION



MEMBERS:

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA
MORRIS J. PEACOCK, CPA

PHILLIP S. PEINE, CPA
STEVEN D. PALMER, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA
MICHAEL J. TORGERSON, CPA

Independent Auditors' Report

The Honorable Mayor and
Members of City Council
City of Kingman, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kingman, Arizona, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kingman, Arizona, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension and OPEB schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kingman, Arizona's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 20, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2017, on our consideration of the City of Kingman, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kingman, Arizona's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "HintonBurdick Arizona PLLC".

HintonBurdick Arizona, PLLC
Flagstaff, Arizona
December 27, 2017

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CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017

As management of the City of Kingman, Arizona (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The City's total net position of governmental activities decreased by \$700,000 to \$47.0 million and business-type activities increased by \$4.5 million to \$81.7 million representing 36.5% and 63.5%, respectively, of the City's total net position of \$128.7 million.
- General revenues from governmental activities accounted for \$26.4 million in revenue, or 74.8 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8.9 million or 25.2 percent of total governmental activities revenues. The City had \$21.5 million of program revenues and \$13,254 in general revenues related to business-type activities.
- The City had \$37.1 million in expenses related to governmental activities; of which \$8.9 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$26.4 million provided for the majority of the remaining costs of these programs. The City had \$15.7 million in expenses related to business-type activities. Charges for services of \$21.5 million were adequate to offset the costs.
- Among major governmental funds, the General Fund had \$27.7 million in current fiscal year revenues, which primarily consisted of taxes, charges for services and intergovernmental revenues. The total expenditures of the General Fund were \$25.2 million. The General Fund's fund balance increased \$2.8 million to \$18.2 million. One major factor leading to this increase included a \$909,200 increase in TPT collections. Although June 30, 2017 total expenditures increased by \$0.9 million when compared to June 30, 2016, they were \$2.5 million less than the June 30, 2017 total revenues resulting in another major contribution to the fund balance increase.
- Net position of the Internal Service Funds increased \$520,373 from the prior fiscal year.

CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The accrual basis of accounting is used for the government-wide financial statements.

The statement of net position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

In the government-wide financial statements, the City's activities are presented in the following categories:

- **Governmental activities** - Most of the City's basic services are included here, such as general government, public safety, highways and streets, culture and recreation, and economic development. Sales taxes, intergovernmental, and charges for services revenue finance most of these activities.
- **Business-type activities** - The services provided by the City included here are water, wastewater, and sanitation services. The services are financed through user fees and charges.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017

OVERVIEW OF FINANCIAL STATEMENTS (Cont'd)

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use the modified accrual basis of accounting and focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and Special Assessment Districts Funds, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses a separate enterprise fund to account for its water, wastewater, and sanitation services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its 911 dispatch services, fleet services, insurance services, building maintenance services, information technology services, and employee benefit services.

Because the internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water fund, wastewater fund, and sanitation fund, which are considered to be major funds of the City. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

OVERVIEW OF FINANCIAL STATEMENTS (Cont'd)

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process. The City adopts an annual budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances - budget and actual has been provided for the General Fund and all Special Revenue Funds as required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$47.0 million at the end of the current fiscal year.

A portion of the City's net position reflects its investment in capital assets (e.g., land, infrastructure, buildings, improvements other than buildings, vehicles, machinery and equipment and construction in progress), less any related outstanding debt used to acquire those assets.

The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

The following table presents a summary of the City's net position for the fiscal years ended June 30, 2017 and 2016.

	Governmental Activities		Business-type Activities		Total	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Current and other assets	\$ 39,463,365	\$ 36,945,068	\$ 42,464,807	\$ 43,108,058	\$ 81,928,172	\$ 80,053,126
Capital assets	51,343,727	51,548,650	77,478,028	78,124,073	128,821,755	129,672,723
Total assets	<u>90,807,092</u>	<u>88,493,718</u>	<u>119,942,835</u>	<u>121,232,131</u>	<u>210,749,927</u>	<u>209,725,849</u>
Deferred outflows of resources	10,872,503	7,527,257	1,211,304	499,063	12,083,807	8,026,320
Long-term liabilities outstanding	48,423,456	43,155,802	37,108,897	42,569,673	85,532,353	85,725,475
Other liabilities	3,606,240	2,648,905	1,540,177	1,293,489	5,146,417	3,942,394
Total liabilities	<u>52,029,696</u>	<u>45,804,707</u>	<u>38,649,074</u>	<u>43,863,162</u>	<u>90,678,770</u>	<u>89,667,869</u>
Deferred inflows of resources	2,613,568	2,545,967	829,577	668,758	3,443,145	3,214,725
Net position:						
Net investment in capital assets	47,574,413	47,082,904	46,748,642	41,236,167	94,323,055	88,319,071
Restricted	10,707,211	10,895,533	709,052	709,052	11,416,263	11,604,585
Unrestricted	<u>(11,245,293)</u>	<u>(10,308,136)</u>	<u>34,217,794</u>	<u>35,254,055</u>	<u>22,972,501</u>	<u>24,945,919</u>
Total net position	<u>\$ 47,036,331</u>	<u>\$ 47,670,301</u>	<u>\$ 81,675,488</u>	<u>\$ 77,199,274</u>	<u>\$128,711,819</u>	<u>\$124,869,575</u>

The City's financial position is the product of several financial transactions including the net results of activities, the payment of debt, the acquisition and depreciation of capital assets, and the implementation of GASB 68.

Changes in net position. The City's total revenues for the current fiscal year were \$56.8 million. The total cost of all programs and services was \$52.8 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and 2016.

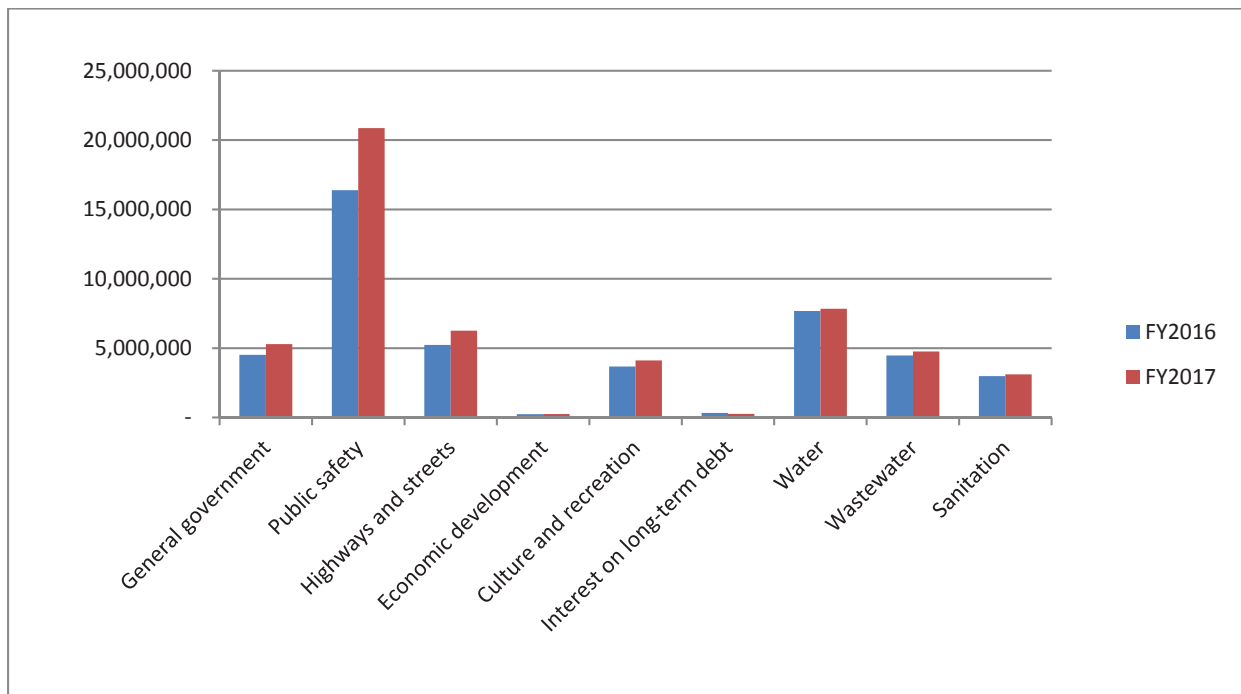
	Governmental Activities		Business-type Activities		Total	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Revenues						
Program revenues						
Charges for Services	\$ 2,756,680	\$ 2,519,134	\$ 21,513,574	\$ 21,441,260	\$ 24,270,254	\$ 23,960,394
Operating grants and contributions	5,102,188	4,833,356	-	-	5,102,188	4,833,356
Capital grants and contributions	1,011,771	450,311	-	3,114	1,011,771	453,425
General revenues					-	-
Taxes	22,786,293	21,652,529	-	-	22,786,293	21,652,529
Urban revenue sharing	3,537,175	3,379,383	-	-	3,537,175	3,379,383
Other revenue/(expense)	71,333	167,928	13,254	217,478	84,587	385,406
Total revenues	<u>\$ 35,265,440</u>	<u>\$ 33,002,641</u>	<u>\$ 21,526,828</u>	<u>\$ 21,661,852</u>	<u>\$ 56,792,268</u>	<u>\$ 54,664,493</u>

CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

	Governmental Activities		Business-type Activities		Total	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Expenses						
General government	5,296,985	4,516,412	-	-	5,296,985	4,516,412
Public safety	20,858,567	16,388,037	-	-	20,858,567	16,388,037
Highways and streets	6,260,591	5,234,697	-	-	6,260,591	5,234,697
Economic development	255,276	241,022	-	-	255,276	241,022
Culture and recreation	4,116,722	3,674,420	-	-	4,116,722	3,674,420
Interest on long-term debt	263,101	331,520	-	-	263,101	331,520
Water	-	-	7,841,900	7,682,180	7,841,900	7,682,180
Wastewater	-	-	4,761,573	4,472,267	4,761,573	4,472,267
Sanitation	-	-	3,115,475	2,982,783	3,115,475	2,982,783
Total expenses	37,051,242	30,386,108	15,718,948	15,137,230	52,770,190	45,523,338
Increase (decrease) in net position before transfers	(1,785,802)	2,616,533	5,807,880	6,524,622	4,022,078	9,141,155
Transfers	1,310,725	930,492	(1,310,725)	(930,492)	-	-
Increase (decrease) in net position	(475,077)	3,547,025	4,497,155	5,594,130	4,022,078	9,141,155
Net position, beginning	47,670,301	44,123,276	77,199,274	71,605,144	124,869,575	115,728,420
Restatement adjustment	(158,893)	-	(20,941)	-	(179,834)	-
Net position, ending	\$ 47,036,331	\$ 47,670,301	\$ 81,675,488	\$ 77,199,274	\$128,711,819	\$124,869,575

Expenses



**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

The following table presents the cost of the nine major City functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

	Year Ended June 30, 2017		Year Ended June 30, 2016	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Governmental Activities				
General Government	\$ 5,296,985	\$ (5,154,258)	\$ 4,516,412	\$ (4,248,508)
Public Safety	20,858,567	(19,085,201)	16,388,087	(14,683,179)
Public works/Streets	6,260,591	(1,788,088)	5,234,697	(1,254,919)
Economic Development	255,276	521,263	241,022	378,137
Culture and recreation	4,116,722	(2,411,268)	3,674,420	(2,443,318)
Interest on long-term debt	263,101	(263,101)	331,520	(331,520)
Total expenses	37,051,242	(28,180,603)	30,386,108	(22,583,307)
Business-Type Activities				
Water	7,841,900	1,004,642	7,682,180	1,212,578
Wastewater	4,761,573	4,359,132	4,472,267	4,429,938
Sanitation	3,115,475	430,852	2,982,783	664,628
Total expenses	15,718,948	5,794,626	15,137,230	6,307,144
Total	\$ 52,770,190	\$ (22,385,977)	\$ 45,523,338	\$ (16,276,163)

- The cost of all governmental activities this year was \$37.1 million. The cost of all business-type activities this year was \$15.7 million.
- Federal, state, and county governments and charges for services subsidized certain governmental and business-type programs with grants and contributions and other local revenues of \$30.4 million.
- The net cost of governmental activities of \$28.2 million, was financed by general revenues, which are made up of primarily sales taxes of \$17.7 million and state shared revenues of \$7.9 million.

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$28.9 million, an increase of \$2.6 million. The General Fund comprises 62.9 percent of the total fund balance. Approximately \$10.1 million or 55.6 percent of the General Fund's fund balance is unassigned.

The General Fund is the principal operating fund of the City. The increase in fund balance in the General Fund for the fiscal year was \$2.6 million, which was primarily the result of increased TPT collections.

The Special Assessment Districts fund balance decrease of \$32,341 to \$2.0 million was the result of the amount of debt paid exceeding the amount collected during the current period.

Proprietary funds. Net position of the Enterprise Funds and the Internal Service Funds at the end of the year amounted to \$81.7 million and \$4.2 million, respectively. The net position in the Enterprise Funds increased by \$4.5 million compared to fiscal year 2016. The Internal Services Funds net position increased by \$520,373 compared to fiscal year 2016.

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

BUDGETARY HIGHLIGHTS

The City did not revise the annual operating budget during the year.

A schedule showing the budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information. The significant variances are summarized as follows:

- The favorable variance of \$3,450,445 in general government was primarily the results of contingency funds being untapped and vacancy savings realized during the recruitment period of unfilled positions.
- The favorable variance of \$814,069 in public safety was primarily the result of vacancy savings realized during the recruitment period of unfilled positions.
- The favorable variance of \$586,210 in culture and recreation was a result of vacancy savings realized during the recruitment period unfilled positions and keeping utility, energy and management costs below budget values.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of the end of the current fiscal year, the City had a net investment in capital assets of \$128.8 million, which included buildings, facilities, vehicles, computers, equipment, and infrastructure assets. Total depreciation expense for the year was \$5.8 million.

The following schedule presents capital asset balances and accumulated depreciation for the fiscal years ended June 30, 2017 and June 30, 2016.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2016</u>
Land	\$ 10,725,630	\$ 10,654,841	\$ 2,337,881	\$ 2,337,881	\$ 13,063,511	\$ 12,992,722
Infrastructure	67,980,821	66,712,100	117,042,793	102,191,288	185,023,614	168,903,388
Buildings	8,391,642	8,215,336	571,675	12,987,498	8,963,317	21,202,834
Improvements other than buildings	6,917,532	6,871,532	409,728	593,978	7,327,260	7,465,510
Vehicles, machinery and equipment	16,945,363	16,194,819	11,771,121	10,192,646	28,716,484	26,387,465
Construction in progress	2,016,870	1,601,628	570,365	2,215,944	2,587,235	3,817,572
Accumulated depreciation	(61,634,132)	(58,701,606)	(55,225,533)	(52,395,162)	(116,859,665)	(111,096,768)
Total	\$ 51,343,726	\$ 51,548,650	\$ 77,478,080	\$ 78,124,073	\$ 128,821,756	\$ 129,672,723

**CITY OF KINGMAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Cont'd)

For additional information on the City's capital assets, refer to Note 6.

Debt Administration. At year-end, the City had \$3.5 million in governmental long-term debt outstanding with \$609,377 due within one year. The City had \$30.7 million in business-type long-term debt outstanding, \$2.3 million due within one year.

The following table presents a summary of the City's outstanding long-term debt for the fiscal years ended June 30, 2017 and June 30, 2016.

	Governmental Activities		Business-type Activities	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Excise tax bonds payable	\$ 740,000	\$ 970,000	\$ -	\$ -
Special assessment bonds payable	2,613,641	3,227,128	-	-
Obligations under capital leases	115,445	268,089	173,174	336,833
Loan payable	-	-	30,556,211	36,551,073
Total	\$ 3,469,086	\$ 4,465,217	\$ 30,729,385	\$ 36,887,906

State statutes currently limit the amount of general obligation debt a city may issue to 20 percent of its total assessed valuation for water, sewer, lights, open space preserves parks, playgrounds and recreational facilities. State statutes also currently limit the amount of general obligation debt a City may issue to 6 percent of its total assessed valuation for all other purposes. The City has no outstanding debt for these purposes.

For additional information on the City's debt, refer to Notes 7 – 11.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Many factors were considered by the City's officials during the process of developing the fiscal year 2017-18 budget. The City experienced a population growth rate of almost 1.8% this current year, with an expected growth rate of close to 2% in the next year. Unemployment rates dropped in the City and Mohave County by 1.4%, and the State's unemployment rate dropped by .7%. There are signs of economic recovery as indicated in the City's increased tax collections and increased building permits, but the City continues to be conservative when projecting TPT collections. Growth in the state shared revenues is minimal, and is expected to remain unchanged in the next year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Financial Services Department, City of Kingman, 310 North Fourth Street, Kingman, Arizona 86401.

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BASIC FINANCIAL STATEMENTS

CITY OF KINGMAN, ARIZONA
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 33,619,359	\$ 39,578,457	\$ 73,197,816
Receivables (net of allowance)	5,326,149	2,254,044	7,580,193
Prepaid items/Inventory	87,486	189,806	277,292
Temporarily restricted assets:			
Cash and cash equivalents	430,371	442,500	872,871
Capital assets (net of accumulated depreciation):			
Land	10,725,630	2,337,881	13,063,511
Construction in progress	2,016,871	570,365	2,587,236
Buildings	3,684,267	341,493	4,025,760
Improvements	1,876,388	-	1,876,388
System improvements	-	71,229,451	71,229,451
Machinery and equipment	4,266,071	2,998,838	7,264,909
Infrastructure/Roads	28,774,500	-	28,774,500
Total assets	<u>90,807,092</u>	<u>119,942,835</u>	<u>210,749,927</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	10,872,503	1,211,304	12,083,807
Total deferred outflows	<u>10,872,503</u>	<u>1,211,304</u>	<u>12,083,807</u>
Liabilities			
Accounts payable and other current liabilities	3,417,890	1,540,177	4,958,067
Unearned revenues	188,350	-	188,350
Noncurrent liabilities:			
Due within one year	1,575,690	2,623,974	4,199,664
Due in more than one year	46,847,766	34,484,923	81,332,689
Total liabilities	<u>52,029,696</u>	<u>38,649,074</u>	<u>90,678,770</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	2,613,568	829,577	3,443,145
Net Position			
Net investment in capital assets	47,574,413	46,748,642	94,323,055
Restricted for:			
Highways and streets	2,110,303	-	2,110,303
Debt service	2,101,276	-	2,101,276
Capital projects and other	6,495,632	709,052	7,204,684
Unrestricted	(11,245,293)	34,217,794	22,972,501
Total net position	<u>\$ 47,036,331</u>	<u>\$ 81,675,488</u>	<u>\$ 128,711,819</u>

The accompanying notes are an integral part of the financial statements.

CITY OF KINGMAN, ARIZONA
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 5,296,985	\$ 133,377	\$ 9,350	\$ -	\$ (5,154,258)	\$ -	\$ (5,154,258)
Public safety	20,858,567	416,193	1,302,803	54,370	(19,085,201)	-	(19,085,201)
Public works/Streets	6,260,591	176,145	3,743,841	552,567	(1,788,038)	-	(1,788,038)
Economic development	255,276	752,462	24,077	-	521,263	-	521,263
Culture and recreation	4,116,722	1,278,503	22,117	404,834	(2,411,268)	-	(2,411,268)
Interest on long-term debt	263,101	-	-	-	(263,101)	-	(263,101)
Total governmental activities	37,051,242	2,756,680	5,102,188	1,011,771	(28,180,603)	-	(28,180,603)
Business-type activities:							
Water	7,841,900	8,846,542	-	-	-	1,004,642	1,004,642
Wastewater	4,761,573	9,120,705	-	-	-	4,359,132	4,359,132
Refuse	3,115,475	3,546,327	-	-	-	430,852	430,852
Total business-type activities	15,718,948	21,513,574	-	-	-	5,794,626	5,794,626
Total primary government	<u>\$ 52,770,190</u>	<u>\$ 24,270,254</u>	<u>\$ 5,102,188</u>	<u>\$ 1,011,771</u>			
General Revenues:							
Taxes:							
City sales tax					17,707,588	-	17,707,588
Franchise tax					749,802	-	749,802
Auto lieu tax (unrestricted)					1,681,683	-	1,681,683
State sales tax (unrestricted)					2,647,220	-	2,647,220
Urban revenue sharing (unrestricted)					3,537,175	-	3,537,175
Unrestricted investment earnings					71,333	84,199	155,532
Other					-	(70,945)	(70,945)
Transfers					1,310,725	(1,310,725)	-
Total general revenues & transfers					<u>27,705,526</u>	<u>(1,297,471)</u>	<u>26,408,055</u>
Change in net position					(475,077)	4,497,155	4,022,078
Net position - beginning					47,670,301	77,199,274	124,869,575
Prior period adjustment					(158,893)	(20,941)	(179,834)
Net position - ending					<u>\$ 47,036,331</u>	<u>\$ 81,675,488</u>	<u>\$ 128,711,819</u>

The accompanying notes are an integral part of the financial statements.

CITY OF KINGMAN, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2017

		<u>Special Revenue</u>		<u>Total</u>
	<u>General</u>	<u>HURF</u>	<u>Non-major</u> <u>Funds</u>	<u>Governmental</u> <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 17,518,693	\$ 2,658,156	\$ 7,594,670	\$ 27,771,519
Receivables:				
Taxes	1,544,357	-	-	1,544,357
Other	49,094	-	-	49,094
Assessments	-	-	3,294,113	3,294,113
Intergovernmental	-	246,644	167,443	414,087
Inventories	70,406	-	-	70,406
Prepaid items	15,617	1,261	-	16,878
Restricted cash and investments	27,201	-	403,170	430,371
Total assets	<u>\$ 19,225,368</u>	<u>\$ 2,906,061</u>	<u>\$ 11,459,396</u>	<u>\$ 33,590,825</u>
LIABILITIES				
Accounts payable	\$ 546,886	\$ 651,546	\$ 248,859	\$ 1,447,291
Accrued wages and benefits	406,065	12,674	8,149	426,888
Accrued liabilities	63,263	-	1,735	64,998
Deposits held	27,201	-	403,170	430,371
Unearned revenue	27,939	131,538	28,848	188,325
Total liabilities	<u>1,071,354</u>	<u>795,758</u>	<u>690,761</u>	<u>2,557,873</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-special assessments	-	-	2,171,727	2,171,727
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>2,171,727</u>	<u>2,171,727</u>
FUND BALANCES				
Nonspendable:				
Inventories and prepaid items	86,023	1,261	-	87,284
Restricted:				
Public works/streets	-	2,109,042	-	2,109,042
Capital outlay	-	-	5,492,980	5,492,980
Debt service	-	-	2,101,276	2,101,276
Other purposes	-	-	801,159	801,159
Committed:				
Public transportation	-	-	201,493	201,493
Other purposes	7,965,451	-	-	7,965,451
Unassigned	10,102,540	-	-	10,102,540
Total fund balances	<u>18,154,014</u>	<u>2,110,303</u>	<u>8,596,908</u>	<u>28,861,225</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,225,368</u>	<u>\$ 2,906,061</u>	<u>\$ 11,459,396</u>	<u>\$ 33,590,825</u>

The accompanying notes are an integral part of the financial statements.

CITY OF KINGMAN, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017

Total governmental fund balances		\$ 28,861,225
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 110,634,483	
Less accumulated depreciation	<u>(60,388,709)</u>	
		50,245,774
Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	\$ (740,000)	
Special assessment bonds	(2,613,641)	
Leases payable	(57,720)	
Net pension liability	(36,639,343)	
PSPRS contributions payable	(892,144)	
Other post employment benefits	(4,451,126)	
Compensated absences	<u>(1,174,256)</u>	
		(46,568,230)
Assessment revenues are deferred in the governmental fund financial statements but recognized when earned in the statement of activities		2,171,727
Internal service funds are used by management to charge costs of certain activities to individual funds. This amount represents the assets and liabilities of the internal service funds reported as governmental activities		4,230,435
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows	\$ 10,353,569	
Deferred inflows	<u>(2,258,169)</u>	
		8,095,400
Total net position of governmental activities		<u><u>\$ 47,036,331</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF KINGMAN, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

		<u>Special Revenue</u>		
	General	HURF	Non-major Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 18,827,218	\$ 815,723	\$ 496,132	\$ 20,139,073
Licenses, permits and fees	872,223	-	-	872,223
Intergovernmental revenue	6,184,395	2,690,468	2,352,603	11,227,466
Charges for services	1,324,700	-	176,146	1,500,846
Fines and forfeitures	319,004	-	-	319,004
Interest	38,169	5,390	15,839	59,398
Special assessments	-	-	819,891	819,891
Other revenues	159,318	3,776	38,054	201,148
Total revenues	<u>27,725,027</u>	<u>3,515,357</u>	<u>3,898,665</u>	<u>35,139,049</u>
EXPENDITURES				
Current:				
General government	4,766,746	-	35,698	4,802,444
Public safety	15,597,396	-	946,528	16,543,924
Public works/streets	-	3,529,281	799,139	4,328,420
Economic development	255,393	-	-	255,393
Culture and recreation	4,070,937	-	-	4,070,937
Capital outlay	456,630	173,436	1,813,716	2,443,782
Debt service				
Principal	43,538	54,554	843,486	941,578
Interest and fiscal charges	891	6,562	249,085	256,538
Total expenditures	<u>25,191,531</u>	<u>3,763,833</u>	<u>4,687,652</u>	<u>33,643,016</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,533,496</u>	<u>(248,476)</u>	<u>(788,987)</u>	<u>1,496,033</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(800,002)	(237,136)	(1,250,598)	(2,287,736)
Transfers in	1,216,565	278,992	2,064,904	3,560,461
Total other financing sources (uses)	<u>416,563</u>	<u>41,856</u>	<u>814,306</u>	<u>1,272,725</u>
Net change in fund balances	2,950,059	(206,620)	25,319	2,768,758
Fund balances (deficits), beginning of year	15,346,527	2,321,546	8,573,987	26,242,060
Prior period adjustment	(142,572)	(4,623)	(2,398)	(149,593)
Fund balances, end of year	<u>\$ 18,154,014</u>	<u>\$ 2,110,303</u>	<u>\$ 8,596,908</u>	<u>\$ 28,861,225</u>

The accompanying notes are an integral part of the financial statements.

CITY OF KINGMAN, ARIZONA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		\$ 2,768,758
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between capital outlay and depreciation in the current period.		
Capital outlay	\$ 2,231,009	
Depreciation expense	<u>(3,083,504)</u>	(852,495)
Governmental funds do not report contributions of capital assets as revenue, unless the assets will be held for sale. However, in the statement of activities, the donation of capital assets is reported as revenue.		632,426
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of current year payments on assessments.		(517,970)
Repayment of long-term debt (e.g., bonds, leases) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Excise tax bond principal retirement	230,000	
Special assessment bond principal retirement	613,487	
Capital lease principal retirement	<u>98,091</u>	941,578
Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the City's report date.		
Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Pension contributions	3,162,795	
Pension expense	<u>(5,877,133)</u>	(2,714,338)
Compensated absences, OPEB expenses, and PSPRS contributions payable are reported in the statement of activities and do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
PSPRS contributions	(892,144)	
Compensated absences	13,770	
OPEB	<u>(384,335)</u>	(1,262,709)
The net revenues of certain activities of the internal service fund is reported with governmental activities.		<u>529,673</u>
Change in net position of governmental activities		<u><u>\$ (475,077)</u></u>

The accompanying notes are an integral part of the financial statements.

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CITY OF KINGMAN, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities - Enterprise Funds	
	Water	Wastewater
ASSETS		
Current Assets:		
Cash	\$ 22,531,172	\$ 15,427,296
Receivables (net of allowance)	1,059,143	862,710
Inventories	150,180	30,253
Prepaid items	9,373	-
Total current assets	23,749,868	16,320,259
Noncurrent Assets:		
Restricted cash and investments	442,500	-
Land and water rights	1,173,881	597,000
Construction in progress	86,911	483,454
Buildings	448,754	122,920
System improvements	52,860,734	64,591,785
Machinery and equipment	4,458,165	1,171,748
Accumulated depreciation	(35,178,859)	(15,139,010)
Total noncurrent assets	24,292,086	51,827,897
Total Assets	48,041,954	68,148,156
Deferred Outflows of Resources		
Deferred outflows related to pensions	761,057	209,497
LIABILITIES		
Current liabilities:		
Accounts payable	308,894	304,141
Accrued wages and benefits	43,331	11,615
Accrued liabilities	82,820	87
Compensated absences - current portion	189,286	40,468
Unearned revenue	-	-
Customer deposits	442,500	-
Leases payable - current portion	57,725	57,725
Notes payable - current portion	-	2,174,968
Total current liabilities	1,124,556	2,589,004
Noncurrent liabilities:		
Compensated absences	63,095	13,489
Net pension liability	3,777,150	1,039,739
Notes payable, net of current portion	-	28,381,243
Total noncurrent liabilities	3,840,245	29,434,471
Total liabilities	4,964,801	32,023,475
Deferred Inflows of Resources		
Deferred inflows related to pensions	521,220	143,477
NET POSITION		
Net investment in capital assets	23,791,861	21,213,961
Restricted for capital outlay	709,052	-
Unrestricted	18,816,077	14,976,740
Total net position	\$ 43,316,990	\$ 36,190,701

The accompanying notes are an integral part of the financial statements.

Business-type Activities - Enterprise Funds		Governmental Activities
Sanitation	Totals	Internal Service Funds
\$ 1,619,989	\$ 39,578,457	\$ 5,847,840
332,191	2,254,044	24,498
-	180,433	-
-	9,373	202
<u>1,952,180</u>	<u>42,022,307</u>	<u>5,872,540</u>
-	442,500	-
567,000	2,337,881	567,000
-	570,365	-
-	571,674	576,100
-	117,452,519	94,720
6,141,209	11,771,122	1,105,555
(4,907,664)	(55,225,533)	(1,245,422)
<u>1,800,545</u>	<u>77,920,528</u>	<u>1,097,953</u>
<u>3,752,725</u>	<u>119,942,835</u>	<u>6,970,493</u>
<u>240,750</u>	<u>1,211,304</u>	<u>518,934</u>
333,256	946,291	117,253
13,469	68,415	30,153
64	82,971	8,792
46,077	275,831	85,622
-	-	25
-	442,500	-
57,725	173,175	-
-	2,174,968	57,725
<u>450,591</u>	<u>4,164,151</u>	<u>299,570</u>
15,359	91,943	28,539
1,194,848	6,011,737	2,575,484
-	28,381,243	-
<u>1,210,207</u>	<u>34,484,923</u>	<u>2,604,023</u>
<u>1,660,798</u>	<u>38,649,074</u>	<u>2,903,593</u>
<u>164,880</u>	<u>829,577</u>	<u>355,399</u>
1,742,820	46,748,642	1,040,228
-	709,052	-
<u>424,977</u>	<u>34,217,794</u>	<u>3,190,207</u>
<u>\$ 2,167,797</u>	<u>\$ 81,675,488</u>	<u>\$ 4,230,435</u>

The accompanying notes are an integral part of the financial statements.

CITY OF KINGMAN, ARIZONA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds	
	Water	Wastewater
Operating Revenues		
Charges for services	\$ 8,537,949	\$ 9,112,309
Contributions	-	-
Other revenues	308,593	8,396
Total operating revenues	8,846,542	9,120,705
Operating Expenses		
Salaries, wages and benefits	3,410,873	1,123,203
Administration/legal/contract services	278,265	139,912
Supplies	910,109	304,396
Repairs and maintenance	517,361	269,793
Utilities	1,473,474	335,273
Rents	24,831	4,094
Bad debt expense	17,747	10,920
Depreciation	1,202,677	1,439,229
Total operating expenses	7,835,337	3,626,820
Operating income (loss)	1,011,205	5,493,885
Non-operating Revenues (Expenses)		
Interest income	47,648	32,867
Interest expense and fiscal charges	(6,563)	(1,134,753)
Gain (loss) on sale of assets	-	(70,945)
Total non-operating revenue (expense)	41,085	(1,172,831)
Income (loss) before contributions and transfers	1,052,290	4,321,054
Transfers out	(897,624)	(547,160)
Transfers in	534,498	-
Change in net position	689,164	3,773,894
Total net position, beginning of year	42,641,083	32,420,504
Prior period adjustment	(13,257)	(3,697)
Total net position, end of year	\$ 43,316,990	\$ 36,190,701

The accompanying notes are an integral part of the financial statements.

Business-type Activities - Enterprise Funds		Governmental Activities
Sanitation	Totals	Internal Service Funds
\$ 3,540,754	\$ 21,191,012	\$ 5,021,200
-	-	4,247,903
5,573	322,562	311,374
3,546,327	21,513,574	9,580,477
1,103,065	5,637,141	2,385,114
10,297	428,474	5,349,339
614,777	1,829,282	1,016,233
131,391	918,545	72,379
163,619	1,972,366	176,188
778,890	807,815	-
5,103	33,770	-
301,770	2,943,676	94,923
3,108,912	14,571,069	9,094,176
437,415	6,942,505	486,301
3,684	84,199	11,935
(6,563)	(1,147,879)	(6,563)
-	(70,945)	-
(2,879)	(1,134,625)	5,372
434,536	5,807,880	491,673
(400,439)	(1,845,223)	(62,000)
-	534,498	100,000
34,097	4,497,155	529,673
2,137,687	77,199,274	3,710,062
(3,987)	(20,941)	(9,300)
\$ 2,167,797	\$ 81,675,488	\$ 4,230,435

The accompanying notes are an integral part of the financial statements.

CITY OF KINGMAN, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds	
	Water	Wastewater
Cash Flows From Operating Activities:		
Cash received from customers, service fees	\$ 9,131,030	\$ 9,068,837
Cash received from customers, other	308,593	8,396
Cash paid to suppliers	(3,268,711)	(944,117)
Cash paid to employees	(3,465,544)	(967,108)
Cash flows from operating activities	<u>2,705,368</u>	<u>7,166,008</u>
Cash Flows From Noncapital		
Financing Activities:		
Transfers	(363,126)	(547,160)
Cash flows from noncapital financing activities	<u>(363,126)</u>	<u>(547,160)</u>
Cash Flows From Capital and Related		
Financing Activities:		
Purchase of capital assets	(711,875)	(853,862)
Principal paid on long term debt	(54,553)	(6,049,414)
Interest paid	(6,563)	(1,134,753)
Cash flows from capital and related financing activities	<u>(772,991)</u>	<u>(8,038,029)</u>
Cash Flows From Investing Activities:		
Interest on investments	47,648	32,867
Net change in cash and cash equivalents	1,616,899	(1,386,314)
Cash and cash equivalents, including temporarily restricted cash, beginning of year	<u>21,356,773</u>	<u>16,813,610</u>
Cash and cash equivalents, including temporarily restricted cash, end of year	<u><u>\$ 22,973,672</u></u>	<u><u>\$ 15,427,296</u></u>
Reconciliation of operating income to net cash flows from operating activities:		
Net operating income (loss)	\$ 1,011,205	\$ 5,493,885
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation/amortization	1,202,677	1,439,229
Pension expense	236,026	253,559
Employer pension contributions	(257,172)	(70,792)
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	593,081	(43,472)
(Increase) decrease in prepaid items	(165)	-
(Increase) decrease in inventory	682	(2,484)
Increase (decrease) in payables	(47,441)	122,755
Increase (decrease) in accrued liabilities & deposits	(33,525)	(26,672)
Net cash flows from operating activities	<u><u>\$ 2,705,368</u></u>	<u><u>\$ 7,166,008</u></u>

The accompanying notes are an integral part of the financial statements.

Business-type Activities - Enterprise Funds		Governmental Activities
Sanitation	Totals	Internal Service Funds
\$ 3,524,601	\$ 21,724,468	\$ 9,248,425
5,573	322,562	310,456
(1,440,069)	(5,652,897)	(6,576,257)
(1,171,740)	(5,604,392)	(2,538,698)
918,365	10,789,741	443,926
(400,439)	(1,310,725)	38,000
(400,439)	(1,310,725)	38,000
(802,842)	(2,368,579)	(110,070)
(54,552)	(6,158,519)	(54,553)
(6,563)	(1,147,879)	(6,563)
(863,957)	(9,674,977)	(171,186)
3,684	84,199	11,935
(342,347)	(111,762)	322,675
1,962,336	40,132,719	5,525,165
<u>\$ 1,619,989</u>	<u>\$ 40,020,957</u>	<u>\$ 5,847,840</u>
\$ 437,415	\$ 6,942,505	\$ 486,301
301,770	2,943,676	94,923
39,498	529,083	69,138
(81,353)	(409,317)	(175,355)
(16,153)	533,456	(21,596)
-	(165)	(202)
-	(1,802)	-
264,008	339,322	38,084
(26,820)	(87,017)	(47,367)
<u>\$ 918,365</u>	<u>\$ 10,789,741</u>	<u>\$ 443,926</u>

The accompanying notes are an integral part of the financial statements.

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CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting Entity

The City of Kingman (City) is a municipal entity governed by an elected Mayor and council. The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The City is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of the other state or local governments. Furthermore, the component unit combined with the City for financial statement presentation purposes and the City are not included in any other governmental reporting entity. Consequently, the City's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable.

Blended Component Unit – The Kingman Municipal Property Corporation (KMPC), board of directors consists of seven members, which are appointed by the Kingman City Council. The KMPC is a nonprofit corporation incorporated under the laws of the State of Arizona and was formed for the sole purpose of financing the acquisition and construction of various projects of the City. It has a June 30 year-end and is reported as a governmental fund. Separate financial statements for the component unit have not been prepared.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's proprietary funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies, Continued

Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its blended component units. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The **Highway User Revenue Fund** accounts for the City's share of motor fuel tax revenues

The City reports the following major proprietary funds:

The **Water Fund** accounts for the activities of the City's water utility services

The **Wastewater Fund** accounts for the activities of the City's wastewater collection and treatment facilities and associated financing.

The **Sanitation Fund** accounts for the activities of the City's sanitation utility services.

Additionally, the City reports the following fund type:

The **Internal Service Funds** are established to account for financing of goods and services provided by one department or agency to other departments or agencies for the City on a cost reimbursement basis. The Internal Service Funds consist of a 911 Dispatch Center Fund, a Fleet Services Fund, an Insurance Services Fund, a Building Maintenance Services Fund, an Information Technology Fund and a Benefits Reserve Fund.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies, Continued

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary and internal service funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies, Continued

Investments

The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's investment pool, obligations of the U.S. Government and other investments as allowed by Arizona State Statutes. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices. The reported value of the state treasurer's pool is the same as the fair value of the pool shares.

Inventories and Prepaid Items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories of the business type activities consist principally of materials used in the repair of the distribution, collection and treatment systems and are valued at cost using the average cost method. The cost of such inventories is recorded as expense when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditure/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets, except land, are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. All land is capitalized, regardless of cost. Capitalized assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. Depreciation for other property, plant, equipment, and infrastructure is computed using the straight-line method over the following estimated useful lives:

Infrastructure	15 to 50 years
Buildings	45 years
Improvements other than buildings	20 years
Vehicles, machinery and equipment	5 to 15 years

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies, Continued

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City had one item that qualified for reporting in this category. It is pension related items reported on the government-wide, proprietary fund and internal services fund financial statements. See footnote 10 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. The first item, which arises only under a modified accrual basis of accounting, is unavailable revenue and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from only one source, special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is pension related items reported on the government-wide, proprietary fund, and internal service fund financial statements. See footnote 10 for more information.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts, as well as the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method over the term of the related debt.

In the fund financial statements governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuing costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the Arizona State Retirement System (ASRS) and the Arizona Public Safety Personnel Retirement System (PSPRS), and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies, Continued

Net position flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The council has authorized the City Manager to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies, Continued

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Compensated Absences

The City's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay at varying amounts. Only benefits considered vested are recognized in the financial statements. The liability for vacation and sick leave is reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured for example, as a result of employee leave, resignations, and retirements. Generally, resources from the General Fund are used to pay for governmental activities compensated absences.

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund, wastewater fund, sanitation fund, and internal service funds are charges to customers for sales and services. The water and wastewater funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 2 Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 20.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 22.

Note 3. Stewardship, Compliance, and Accountability

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the City. The use of budgets and monitoring of equity status facilitate the City's compliance with legal requirements.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. The City follows a voter-approved alternative expenditure limitation that was adopted on November 13, 2014.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 3. Stewardship, Compliance, and Accountability, Continued

5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds. The City Council has adopted a budget transfer policy and all amendments must be done in accordance with this policy.
6. The City has adopted budgets in accordance with A.R.S. requirements and utilizes the budgets as a management control device during the year for the General, Special Revenue, Debt Service, Internal Service and Proprietary funds. The budgets are prepared on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The City is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the City to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year.

Supplementary budgetary appropriations were not made during the year ended June 30, 2017.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation for future years, is not employed by the City.

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2017, if any.

Highway User Revenue Funds

Highway user revenue fund monies received by the City pursuant to title 28, chapter 18, article 2 of Arizona Revised Statutes and other dedicated state transportation revenues received during the current fiscal year have been used solely for authorized transportation purposes.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 4. Deposits and Investments

A reconciliation of cash and investments as shown on the statement of net position is as follows:

Cash and cash equivalents	\$ 28,161,692
Restricted cash and cash equivalents	872,871
Investments	<u>45,036,124</u>
Total	<u><u>\$ 74,070,687</u></u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the City's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2017, the City's bank balance of \$30,118,623 was fully insured or collateralized.

Investments

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP) with no regulatory oversight. The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated "P1" by Moody's investors or "A1" by Standard and Poor's rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 4. Deposits and Investments, Continued

As of June 30, 2017 the City had the following deposits and investments:

	Fair Value	Quality Ratings (1)	Weighted Average Maturity (Days) (2)
Deposits:			
Cash on hand	\$ 10,725	N/A	N/A
Cash in bank	29,023,838	N/A	N/A
Investments:			
Local Government			
Investment Pool 7	21,363,396	AAA	80.3
US Government Agency Bonds	23,672,728	AAA	1032.4
Total cash and investments	<u>\$ 74,070,687</u>		

* The fair value of the City's position in each pool is the same as the value of the pool shares.

(1) Ratings are provided where applicable (Moody's) to indicate associated Credit Risk. N/A indicates not applicable.

(2) Interest Rate Risk is estimated using the weighted average days to maturity.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323). A.R.S. 35-323 limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 4. Deposits and Investments, Continued

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35- 323). A.R.S. 35-323 requires that the City's investment portfolio maturities do not exceed five years from the time of purchase.

Fair value measurements

As noted above, the City holds investments that are measured at fair value on a recurring basis. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The state treasurer's investment pool, US Government bonds, and certificates of deposit, as listed above, are valued using quoted prices that are observable for the assets (Level 2 inputs).

Note 5. Restricted Assets

Cash and other assets as of June 30, 2017 were restricted to use as follows:

Governmental Activities:

General Fund:

Restricted for deposits	\$ 27,201
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Special Revenue Funds:

Restricted for police cash seizures	403,170
Total Governmental Activities	<u><u>\$ 430,371</u></u>

Business-Type Activities:

Water Fund:

Customer security deposits	\$ 442,500
Total Business-Type Activities	<u><u>\$ 442,500</u></u>

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 6. Capital Assets

The following table summarizes the changes to capital assets for governmental activities during the year:

Governmental activities:	Balance 6/30/2016	Additions	Disposals	Balance 6/30/2017
Capital assets, not being depreciated				
Land	\$ 10,654,841	\$ 70,789	\$ -	\$ 10,725,630
Construction in process	1,601,628	1,967,415	(1,552,173)	2,016,870
Total capital assets not being depreciated	12,256,469	2,038,204	(1,552,173)	12,742,500
Capital assets, being depreciated				
Infrastructure	66,712,100	1,268,721	-	67,980,821
Buildings	8,215,336	176,306	-	8,391,642
Improvements other than buildings	6,871,532	46,000	-	6,917,532
Vehicles, machinery and equipment	16,194,819	996,447	(245,903)	16,945,363
Total assets being depreciated	97,993,787	2,487,474	(245,903)	100,235,358
Less: Accumulated depreciation				
Infrastructure	(37,407,952)	(1,798,369)	-	(39,206,321)
Buildings	(4,518,834)	(188,541)	-	(4,707,375)
Improvements other than buildings	(4,825,698)	(215,446)	-	(5,041,144)
Vehicles, machinery and equipment	(11,949,122)	(976,073)	245,903	(12,679,292)
Total accumulated depreciation	(58,701,606)	(3,178,429)	245,903	(61,634,132)
Total assets being depreciated, net	39,292,181	(690,955)	-	38,601,226
Governmental capital assets, net	\$ 51,548,650	\$ 1,347,249	\$ (1,552,173)	\$ 51,343,726

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental activities:	
General government	\$ 124,573
Public safety	785,067
Highways and streets	2,066,701
Culture and recreation	202,088
Total depreciation expense-governmental activities	<u>\$ 3,178,429</u>

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 6. Capital Assets, Continued

The following table summarizes the changes to capital assets for business-type activities during the year.

Business-type activities:	Balance 6/30/2016	Additions	Disposals	Transfers	Balance 6/30/2017
Capital assets, not being depreciated					
Land	\$ 2,337,881	\$ -	\$ -	\$ -	\$ 2,337,881
Construction in process	2,215,944	626,878	(2,272,457)	-	570,365
Total capital assets not being depreciated	4,553,825	626,878	(2,272,457)	-	2,908,246
Capital assets, being depreciated					
Infrastructure	102,191,288	2,372,574	-	12,478,931	117,042,793
Buildings	12,987,498	63,108	-	(12,478,931)	571,675
Improvements other than buildings	593,978	-	(184,250)	-	409,728
Vehicles, machinery and equipment	10,192,646	1,578,475	-	-	11,771,121
Total assets being depreciated	125,965,410	4,014,157	(184,250)	-	129,795,317
Less: Accumulated depreciation					
Infrastructure	(38,870,313)	(2,436,612)	-	(4,520,897)	(45,827,822)
Buildings	(4,738,965)	(12,112)	-	4,520,897	(230,180)
Improvements other than buildings	(501,070)	(7,482)	113,305	-	(395,247)
Vehicles, machinery and equipment	(8,284,814)	(487,470)	-	-	(8,772,284)
Total accumulated depreciation	(52,395,162)	(2,943,676)	113,305	-	(55,225,533)
Total assets being depreciated, net	73,570,248	1,070,481	(70,945)	-	74,569,784
Business-type capital assets, net	\$ 78,124,073	\$ 1,697,359	\$ (2,343,402)	\$ -	\$ 77,478,030

Depreciation expense was charged to the functions/programs of the City as follows:

Business-type activities:	
Water	\$ 1,202,677
Wastewater	1,439,229
Sanitation	301,770
Total depreciation expense-business-type activities	\$ 2,943,676

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 7. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2017:

	Balance 6/30/2016	Additions	Retirements	Balance 6/30/2017	Current Portion
Governmental Activities:					
Excise Tax Revenue Bonds:					
Series 2005	\$ 970,000	\$ -	\$ (230,000)	\$ 740,000	\$ 240,000
Total Excise Tax Revenue Bonds	<u>970,000</u>	<u>-</u>	<u>(230,000)</u>	<u>740,000</u>	<u>240,000</u>
Special Assessment Bonds:					
Wallapai/Marlene	47,128	-	(8,487)	38,641	8,932
East Golden Gate	375,000	-	(375,000)	-	-
Kingman Airport Tract/Banks	<u>2,805,000</u>	<u>-</u>	<u>(230,000)</u>	<u>2,575,000</u>	<u>245,000</u>
Total Special Assessment Bonds	<u>3,227,128</u>	<u>-</u>	<u>(613,487)</u>	<u>2,613,641</u>	<u>253,932</u>
Accrued compensated absences:	1,294,731	1,490,120	(1,496,434)	1,288,417	966,313
Capital leases	268,089	-	(152,644)	115,445	115,445
Other post employment benefits	4,066,791	715,335	(331,000)	4,451,126	-
Net pension liability	<u>33,329,063</u>	<u>5,885,764</u>	<u>-</u>	<u>39,214,827</u>	<u>-</u>
Total Governmental Debt	<u>\$ 43,155,802</u>	<u>\$ 8,091,219</u>	<u>\$ (2,823,565)</u>	<u>\$ 48,423,456</u>	<u>\$ 1,575,690</u>
Business-Type Activities:					
Loans payable					
WIFA Loan - 910114-09	\$ 24,729,799	\$ -	\$ (5,311,612)	\$ 19,418,187	\$ 1,469,957
WIFA Loan - 910149-11	<u>11,821,274</u>	<u>-</u>	<u>(683,250)</u>	<u>11,138,024</u>	<u>705,011</u>
Total Loans Payable	<u>36,551,073</u>	<u>-</u>	<u>(5,994,862)</u>	<u>30,556,211</u>	<u>2,174,968</u>
Accrued compensated absences	341,218	332,993	(306,437)	367,774	275,831
Capital leases	336,833	-	(163,659)	173,174	173,174
Net pension liability	<u>5,340,549</u>	<u>671,188</u>	<u>-</u>	<u>6,011,737</u>	<u>-</u>
Total Business-Type Long-Term Debt	<u>\$ 42,569,673</u>	<u>\$ 1,004,181</u>	<u>\$ (6,464,958)</u>	<u>\$ 37,108,896</u>	<u>\$ 2,623,973</u>
Total Long-Term Liabilities	<u>\$ 85,725,475</u>	<u>\$ 9,095,400</u>	<u>\$ (9,288,523)</u>	<u>\$ 85,532,352</u>	<u>\$ 4,199,663</u>

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 7. Long-Term Debt, Continued

The City has pledged future excise tax revenues to repay Excise Tax Revenue Bonds issued in 2005. The various bonds were issued for the construction of certain street improvements. Debt covenants related to the 2005 Series require available receipts for the fiscal year to be 2.5 times the annual debt service requirement. At year end, the revenues available for service of this debt were \$23.8 million. The debt principal and interest paid on this debt during fiscal year 2017 was \$270,588 (1% of available pledged revenues). The bonds bear interest from 3% to 4.25%, payments are due in annual principal and interest installments ranging from \$265,200 to \$270,813 through July 1, 2020.

Excise tax revenue bond maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2018	\$ 240,000	\$ 30,813	\$ 270,813
2019	245,000	20,613	265,613
2020	255,000	10,200	265,200
Total	<u>\$ 740,000</u>	<u>\$ 61,626</u>	<u>\$ 801,626</u>

Special assessments imposed on certain parcels of land within the assessment district are used to pay the Special Assessment District Bonds. The special assessment bonds yield interest ranging from 4.5% to 7.25%.

Special assessment bond debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2018	\$ 253,932	\$ 179,600	\$ 433,532
2019	274,401	160,632	435,033
2020	294,894	140,187	435,081
2021	315,414	118,267	433,681
2022	330,000	94,975	424,975
2023-2027	1,145,000	132,377	1,277,377
Total	<u>\$ 2,613,641</u>	<u>\$ 826,038</u>	<u>\$ 3,439,679</u>

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 7. Long-Term Debt, Continued

The following is a listing of loans payable outstanding as of June 30, 2017:

Loans Payable:	<u>Business-Type Activities</u>
Water Infrastructure Finance Authority of Arizona loan number 910114-09, due in semi-annual variable principal and interest installments, bearing interest at 3.6% (including fees), maturing July 2028. The City has pledged future wastewater utility revenues to repay this loan. Loan covenants require the City to maintain 1.5 times coverage of net revenues to current year debt service payments.	\$ 19,418,187
Water Infrastructure Finance Authority of Arizona loan number 910149-11, due in semi-annual variable principal and interest installments, bearing interest at 3.185% (including fees), maturing July 2030. The City has pledged future wastewater utility revenues to repay this loan. Loan covenants require the City to maintain 1.5 times coverage of net revenues to current year debt service payments.	11,138,024
Total Loans Payable	<u>\$ 30,556,211</u>

Loans payable debt service maturities are as follows:

Year Ended June 30,	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,174,968	\$ 1,053,801	\$ 3,228,769
2019	2,250,341	978,518	3,228,859
2020	2,328,335	900,435	3,228,770
2021	2,409,039	819,730	3,228,769
2022	2,492,551	736,219	3,228,770
2023-2027	13,820,677	2,323,166	16,143,843
2028-2030	5,080,300	267,597	5,347,897
Total	<u>\$ 30,556,211</u>	<u>\$ 7,079,466</u>	<u>\$ 37,635,677</u>

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 8. Capital Leases Payable

The City has acquired land and vehicles under the provisions of long-term lease agreements classified as capital leases. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date for amounts that meet the City's capitalization threshold. Revenues from the General Fund, HURF Fund, both governmental funds, and Fleet Services Fund, an internal service fund, pay for the governmental activities lease obligations. Water, Wastewater and Sanitation Funds are used to pay the business-type activities capital lease obligation.

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2017 are as follows:

	Fiscal Year Ending June 30, 2018	Governmental Activities	Business-Type Activities
		\$ 122,152	\$ 183,228
Total remaining minimum lease payments		122,152	183,228
Less amount representing interest		(6,707)	(10,054)
Present value of net remaining minimum lease payments		\$ 115,445	\$ 173,174

Assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Land	\$ 1,134,000	\$ 1,701,000
Vehicles, furniture and equipment	409,455	-
Less: Accumulated depreciation	(298,305)	-
Total	\$ 1,245,150	\$ 1,701,000

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 9. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2017 are as follows:

	Transfers in:				
	General Fund	HURF Fund	Nonmajor Governmental Funds and Internal Service Funds	Water Fund	Total
Transfers out:					
General Fund	\$ -	\$ -	\$ 800,002	\$ -	\$ 800,002
HURF Fund	-	-	-	237,136	237,136
Nonmajor Governmental Funds and Internal Service Funds	95,440		1,217,158	-	1,312,598
Water Fund	656,659	163,409	77,556	-	897,624
Wastewater Fund	176,177	43,842	29,779	297,362	547,160
Sanitation Fund	288,289	71,741	40,409	-	400,439
Total	<u>\$ 1,216,565</u>	<u>\$ 278,992</u>	<u>\$ 2,164,904</u>	<u>\$ 534,498</u>	<u>\$ 4,194,959</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 10. Retirement and Pension Plans

The City contributes to the Arizona State Retirements System and Public Safety Personnel Retirement System plans described below. The plans are component units of the State of Arizona. At June 30, 2017, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	ASRS	PSPRS	Combined Total	Governmental Activities Total	Business-Type Activities Total
Net pension liability	\$ 17,044,901	\$ 28,181,663	\$ 45,226,564	\$ 39,214,827	\$ 6,011,737
Deferred outflows of resources	3,434,371	8,649,435	12,083,806	10,872,503	1,211,303
Deferred inflows of resources	2,352,074	1,091,071	3,443,145	2,613,568	829,577
Pension expense	624,566	5,953,296	6,577,862	6,357,578	220,284

The City reported \$6,357,578 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System (ASRS)

Plan description – The City participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date Before July 1, 2011	Initial Membership Date On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 10. Retirement and Pension Plans, Continued

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll.

In addition, the City was required by statute to contribute at the actuarially determined rate of 9.47 percent (9.17 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.09 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the ASRS.

The City's contributions for the current and 2 preceding fiscal years, all of which were equal to the required contributions, were as follows:

<u>Year Ended June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2015	\$ 1,070,535	\$ 58,000	\$ 11,797
2016	1,058,827	48,794	11,711
2017	1,160,523	46,847	14,906

Pension liability – At June 30, 2017, the City reported a liability of \$17,044,901 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The City's proportion measured as of June 30, 2016, was 0.105600 percent, which was an increase of 0.002850 percent from its proportion measured as of June 30, 2015.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 10. Retirement and Pension Plans, Continued

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2017, the City recognized pension expense for ASRS of \$624,566. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to ASRS pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 103,581	\$ 1,172,565
Changes in assumptions	-	901,811
Net difference between projected and actual earnings on pension plan investments	1,847,100	-
Changes in proportion and differences between contributions and proportional share of contributions	323,167	277,698
Contributions subsequent to the measurement date	1,160,523	-
Total	<u>\$ 3,434,371</u>	<u>\$ 2,352,074</u>

The \$1,160,523 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2017	\$ (896,122)
2018	(482,018)
2019	781,992
2020	517,922

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 10. Retirement and Pension Plans, Continued

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Expected Return Arithmetic Basis			
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	58%	6.73%	3.90%
Fixed income	25%	3.70%	0.93%
Multi-asset	5%	3.41%	0.17%
Commodities	2%	3.84%	0.08%
Real Estate	10%	4.25%	0.42%
Totals	100%		5.50%
		Inflation	3.25%
		Expected arithmetic nominal return	8.75%

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 10. Retirement and Pension Plans, Continued

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of			
Net pension (asset) / liability	\$ 21,733,543	\$ 17,044,901	\$ 13,285,635

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System (PSPRS)

Plan description – The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a nine-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The reports are available on the PSPRS website at www.psprs.com.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 10. Retirement and Pension Plans, Continued

Benefits provided – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date Before January 1, 2012	Initial Membership Date On or After January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 10. Retirement and Pension Plans, Continued

Employees covered by benefit terms – At June 30, 2017, the following employees were covered by the agent pension plans' benefit terms:

	<u>PSPRS Police</u>	<u>PSPRS Fire</u>
Inactive employees or beneficiaries currently receiving benefits	25	27
Inactive employees entitled to but not yet receiving benefits	12	5
Active employees	<u>51</u>	<u>49</u>
Total	88	81

Contributions and annual OPEB cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, active PSPRS members were required by statute to contribute 11.65 percent of their annual covered salary to the PSPRS and the City was required to contribute 37.2 percent for police and 40.96 percent for fire, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 0.23 percent for police and 0.01 percent for fire.

For the agent plans, the City's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2017, were:

	<u>PSPRS Police</u>	<u>PSPRS Fire</u>
Pension		
Contributions made	1,293,574	1,293,368
Health Insurance Premium Benefit		
Annual OPEB cost	7,025	265
Contributions made	7,025	265

Pension liability – At June 30, 2017, the City reported a net pension liability of \$13,795,876 for PSPRS Police and \$14,385,787 for PSPRS Fire. The net pension liabilities was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS plans.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 10. Retirement and Pension Plans, Continued

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the City's net pension liabilities as a result of these changes is not known.

Pension actuarial assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Individual Entry Age Normal
Discount rate	7.50%
Projected salary increases	4.0% to 8.0% including inflation
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.50 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The target allocation and best estimates of geometrical real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
Short term investments	2.00%	0.75%
Absolute return	5.00%	4.11%
Risk parity	4.00%	5.13%
Fixed income	7.00%	2.92%
Real assets	8.00%	4.77%
GTAA	10.00%	4.38%
Private equity	11.00%	9.50%
Real estate	10.00%	4.48%
Credit opportunities	13.00%	7.08%
Non-U.S. equity	14.00%	8.25%
U.S. equity	16.00%	6.23%
Total	100.00%	

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 10. Retirement and Pension Plans, Continued

Discount Rate –At June 30, 2016 the discount rate used to measure the total pension liabilities was 7.50 percent, which was a decrease of 0.35 from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	PSPRS Police			PSPRS Fire		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 23,291,145	\$ 11,810,468	\$ 11,480,677	\$ 25,483,711	\$ 14,298,820	\$ 11,184,891
Changes for the year:						
Service cost	570,202	-	570,202	587,794	-	587,794
Interest on total pension liability	1,792,276	-	1,792,276	1,955,000	-	1,955,000
Changes of benefit terms	794,241	-	794,241	1,885,581	-	1,885,581
Difference between expected and actual experience of the Total Pension Liability	(193,568)	-	(193,568)	(693,984)	-	(693,984)
Changes of assumptions	956,123	-	956,123	1,002,245	-	1,002,245
Contributions - employer	-	1,160,861	(1,160,861)	-	1,003,890	(1,003,890)
Contributions - employee	-	384,936	(384,936)	-	341,001	(341,001)
Net investment income	-	67,582	(67,582)	-	82,081	(82,081)
Benefit payments, including refunds of employee contributions	(1,489,405)	(1,489,405)	-	(1,746,310)	(1,746,310)	-
Pension Plan Administrative Expense	-	(10,126)	10,126	-	(12,211)	12,211
Other changes*	-	822	(822)	-	120,979	(120,979)
Net changes	2,429,869	114,670	2,315,199	2,990,326	(210,570)	3,200,896
Balances at June 30, 2016	\$ 25,721,014	\$ 11,925,138	\$ 13,795,876	\$ 28,474,037	\$ 14,088,250	\$ 14,385,787

* Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 10. Retirement and Pension Plans, Continued

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the City's net pension liability calculated using the discount rate noted above, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
PSPRS Police			
Net pension (asset) / liability	\$ 17,186,926	\$ 13,795,876	\$ 11,013,079
PSPRS Fire			
Net pension (asset) / liability	\$ 18,120,111	\$ 14,385,787	\$ 11,311,810

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2017, the City recognized pension expense of \$2,466,332 for PSPRS Police and \$3,486,964 for PSPRS Fire. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police		Fire	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 472,614	\$ 668,030	\$ 618,456
Changes in assumptions	1,993,785	-	1,760,081	-
Net difference between projected and actual earnings on pension plan investments	746,798	-	893,797	-
Contributions subsequent to the measurement date	1,293,574	-	1,293,368	-
Total	<u>\$ 4,034,157</u>	<u>\$ 472,614</u>	<u>\$ 4,615,276</u>	<u>\$ 618,456</u>

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 10. Retirement and Pension Plans, Continued

The amounts reported as deferred outflows of resources related to PSPRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

Year Ended June 30	PSPRS Police	PSPRS Fire
2018	\$ 614,215	\$ 619,329
2019	614,215	619,328
2020	670,967	759,804
2021	248,727	555,969
2022	119,845	127,615
Thereafter	-	21,407

Agent plan OPEB actuarial assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plan as the City and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the City and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year June 30, 2017 contribution requirements:

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 10. Retirement and Pension Plans, Continued

Actuarial valuation date	June 30, 2015
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	21 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

Agent plan OPEB trend information – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years follows for each of the agent plans:

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
PSPRS Police	2015	46,804	100%	-
	2016	11,831	100%	-
	2017	7,025	100%	-
PSPRS Fire	2015	44,203	100%	-
	2016	1,723	100%	-
	2017	265	100%	-

Agent plan OPEB funded status – The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used in those valuations follow.

	PSPRS Police	PSPRS Fire
Actuarial accrued liability (AAL)	\$ 517,895	\$ 554,865
Actuarial value of plan assets	608,461	708,664
Unfunded actuarial accrued liability (UAAL)	<u>\$ (90,566)</u>	<u>\$ (153,799)</u>
Funded ratio (actuarial value of plan assets/AAL)	117.49%	127.72%
Covered payroll (active plan members)	\$ 3,059,023	\$ 3,047,143
UAAL as a percentage of covered payroll	0.00%	0.00%

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 10. Retirement and Pension Plans, Continued

The actuarial methods and assumptions used for the most recent valuation date are as follows:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization Method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining Amortization Period	20 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

Note 11. Other Post-Employment Benefits-Single Employer Plan

Plan description – Under authority of the City Council, the City provides postretirement insurance (health, dental, and vision) benefits for certain retirees and their dependents. The plan is a single employer defined benefit plan administered by the City. The City contributes 100% of the premiums for the employees who retire with 20 years of full-time service before July 1, 2005. The City pays a portion of the premiums for the employees who retire with 20 years of service after July 1, 2005 and who agree to pay the remaining \$150 of the premium per month. The City's regular insurance providers underwrite the retiree policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. A separate financial report is not issued for the plan. The number of participants as of June 30, 2017, the effective date of the biannual OPEB valuation, follows:

	<u>Participants</u>
Active employees	200
Retired employees	<u>20</u>
Total	220

Funding policy – The City currently pays for postemployment benefits on a pay-as-you-go basis. Although the City is studying the establishment of a trust that would be used to accumulate and invest assets necessary to pay for the accumulated liability, these financials statements assume that pay-as-you-go funding will continue. Generally, resources from the General Fund are used to pay for postemployment benefits.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 11. Other Post-Employment Benefits-Single Employer Plan, Continued

Annual OPEB cost and net OPEB obligation – The City’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City’s annual OPEB cost for the year ended June 30, 2017, the effective date of the biannual OPEB valuation, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation.

Annual required contribution	\$ 351,863
Interest on net OPEB obligation	356,877
Adjustment to annual required contribution	6,595
Annual OPEB cost	<u>715,335</u>
Contributions made	<u>331,000</u>
Increase in net OPEB obligation	384,335
Net OPEB obligation, beginning of year	<u>4,066,791</u>
Net OPEB obligation, end of year	<u><u>\$ 4,451,126</u></u>

The City’s annual OPEB cost, the annual OPEB cost contributed, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ended June 30, 2017 and the preceding two years are as follows:

Year Ended June 30,	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 442,219	\$ 166,917	38%	\$ 4,066,791
2016	437,512	174,000	40%	4,330,303
2017	277,823	157,000	57%	4,451,126

Actuarial methods and assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The projection of future benefit payments involve estimates of the value of reported amounts and assumptions about the probability of events into the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 11. Other Post-Employment Benefits-Single Employer Plan, Continued

Amounts determined and the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The more significant actuarial assumptions and methods used in the calculation of the employer contributions for the current fiscal year were as follows:

Valuation date	July 1, 2016
Actuarial cost method	Entry age normal
Amortization method for actuarial accrued liabilities	Level dollar basis
Remaining amortization period	30 year
Asset valuation method	N/A
Actuarial Assumptions:	
Interest rate	4.25%
Inflation rate	4.25%

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

The schedule of funding progress which can be found in the required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The plan is currently not funded.

Note 12. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined the Arizona Municipal Risk Pool (Pool) as an alternative to escalating general liability insurance costs. The Pool is made up of various towns and cities within Arizona that operates a common risk management and insurance program.

The agreement provides that the Pool will be self-sustaining through member premiums. The City pays an annual premium to the Pool for its general insurance coverage. If the Pool becomes insolvent or is otherwise unable to discharge its legal obligations, the City (and all other participants) may be assessed an additional contribution based on the City's current year's contribution divided by the current year's contributions of all participants times the deficiency. The assessment may not exceed the original contribution to the Pool for the year in which the assessment is made.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 12. Risk Management, Continued

At the end of the tenth year of the Pool's existence and each year thereafter, any surplus fund in the Pool shall be distributed among the then existing participants in the Pool who were participating during the previous ten years. The allocation shall be based on the proportion of contributions made by each participant.

The City was unable to obtain worker's compensation insurance at a cost considered to be economically justifiable. Therefore the City joined the Arizona Municipal Workers' Compensation Pool (AMWCP), a public entity risk pool. The City is responsible for paying a premium, based on an experience rating formula that allocates pool expenditures and liabilities among members.

In fiscal year 2003-04, the City became self-funded for its uninsured risks of loss related to health, dental, and vision claims. Beginning July 1, 2012, the City joined the Northwest Arizona Employee Benefit Trust (NAEBT).

The City joined NAEBT with two other cities in Arizona for risks of loss related to employee health, dental, and vision claims. NAEBT is a public entity risk pool currently operating as a common risk management and insurance program. The City pays monthly premiums to NAEBT for its employee health, dental, and vision coverage. The agreement provides that NAEBT will be self-sustaining through members' premiums.

Note 13. Contingent Liabilities and Commitments

The City receives federal and state funding for specific purposes that are subject to review and audit by the grantor agencies. Such audits could result in disallowances under the terms of the grants. There are no required disbursements identified or recorded at the date of these financial statements.

The City is a party to number of various types of lawsuits, many of which normally occur in governmental operations. The ultimate outcome of the actions is not determinable; however, City management believes that the outcome of these proceedings, whether individually or in aggregate, will not have a materially adverse effect on the accompanying financial statements.

In 2011, legislators passed Senate Bill 1609, which contained several provisions meant to shore up the plans administered by PSPRS. One of those provisions was a gradual increase in member contribution rates from 7% to 11% in the elected officials' plan (EORP) and from 7.65% to 11.65% in the public safety plan (PSPRS). In August 2011, those provisions were challenged via two separate, but parallel, lawsuits—Hall for EORP and Parker for PSPRS. In November 2016, the Supreme Court upheld the lower court decision in Hall that ruled those increased member contribution rates were unconstitutional. These two lawsuits have been adjudicated separately where the Parker case was stayed pending the final outcome of Hall. Nevertheless, the facts and circumstances are essentially the same where both parties to Parker agreed, at the time of stay, to appropriately apply the remedies of Hall when finalized.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 13. Contingent Liabilities and Commitments, Continued

After seeking further clarification from the Supreme Court on their ruling, the PSPRS Board of Trustees in April directed employers in both EORP and PSPRS plans to revert the rates back to pre-SB1609 levels for affected members. As a result, members who were hired prior to July 20, 2011 are also entitled to receive a return of those excess contributions with interest. Therefore, at its May 31, 2017 meeting, the PSPRS Board of Trustees authorized local boards who have stopped withholding at the higher rate to begin working with their employer in returning those contributions as soon as practicable. However, while the Hall case has been remanded to the Superior Court, the ruling on the interest amount from a hearing on June 6, 2017 has yet to be decided and released. As such, the Hall case is not finalized yet, but the excess contributions should be returned as soon as possible to stop interest from accruing.

Because the plans administered by PSPRS are 401(a) qualified plans, the IRS dictates the method used to return the excess contributions to members. PSPRS is not allowed to return the contributions directly to members or employers. Instead, employers are required to return the excess contributions to members, and then may take advantage of credit memos set up by PSPRS to offset future employer contributions. PSPRS will prepare credit memos equal to the contributions plus pre-judgment interest. Employers that want to take advantage of those credit memos may use those credit memos in lieu of sending PSPRS future employer contributions until the credit memos are used up. As of June 30, 2017 the City owed refunds totaling \$892,144 to current and former employees, including interest. The payable and related credit claims and judgement expense are reported on the government-wide statement of net position and the statement of activities.

Note 14. Stabilization Arrangement

The City Council approved that a minimum unassigned fund balance in the General Fund will be maintained ranging from 25% to 50% of the budgeted expenditures and outgoing transfers. This minimum fund balance is to protect against cash flow shortfalls related to the timing of projected revenue receipts and to maintain budget stabilization commitments. If fund balance falls below the minimum 25% range, the City will replenish the shortages/deficiencies using the budget strategies and timeframes outlined in the City Council policy.

CITY OF KINGMAN, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 15. Prior Period Adjustment

Prior to fiscal year June 30, 2017, the City expensed retirement benefits when paid rather than for the pay period for which the expense belongs. A prior period adjustment is recorded to move retirement benefits expense paid in fiscal year June 30, 2017, but were for days worked in fiscal year June 30, 2016. The prior period adjustment decreases equity by \$179,834 as follows:

Government-wide	
Governmental Activities	\$ 158,893
Business-Type Activities	20,941
Total	<u>\$ 179,834</u>
Governmental Funds	
General Fund	\$ 142,572
HURF Fund	4,623
Transit System Fund	2,398
Proprietary Funds	
Water Fund	13,257
Wastewater Fund	3,697
Sanitation Fund	3,987
Internal Service Funds	
911 Dispatch Center Fund	3,830
Fleet Services Fund	1,995
Building Maintenance Services Fund	1,191
Information Technology Fund	2,284
Total	<u>\$ 179,834</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KINGMAN, ARIZONA
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2017

Arizona State Retirement System	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.105600%	0.102750%	0.106267%
Proportionate share of the net pension liability (asset)	\$ 17,044,901	\$ 16,004,044	\$ 15,723,929
Covered payroll	\$ 9,806,540	\$ 9,476,307	\$ 9,060,844
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	173.81%	168.88%	173.54%
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%

Note: The City implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

CITY OF KINGMAN, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2017

Public Safety Personnel Retirement System

PSPRS Police
Reporting Fiscal Year
(Measurement Date)

	2017	2016	2015
	(2016)	(2015)	(2014)
Total pension liability			
Service cost	\$ 570,202	\$ 543,682	\$ 540,257
Interest on total pension liability	1,792,276	1,749,059	1,479,478
Changes of benefit terms	794,241	-	452,461
Difference between expected and actual experience of the total net pension liability	(193,568)	(344,346)	(172,954)
Changes of assumptions	956,123	-	2,461,609
Benefit payments, including refunds of employee contributions	(1,489,405)	(1,332,843)	(1,323,969)
Net change in total pension liability	2,429,869	615,552	3,436,882
Total pension liability - beginning	23,291,145	22,675,593	19,238,711
Total pension liability - ending (a)	\$ 25,721,014	\$ 23,291,145	\$ 22,675,593
Plan fiduciary net position			
Contributions - employer	\$ 1,160,861	\$ 796,097	\$ 732,712
Contributions - employee	384,936	335,245	304,317
Net investment income	67,582	420,465	1,409,584
Benefit payments, including refunds of employee contributions	(1,489,405)	(1,332,843)	(1,323,969)
Pension Plan Administrative Expense	(10,126)	(10,641)	-
Other (net transfer)	822	(38,349)	(361,527)
Net change in plan fiduciary net position	114,670	169,974	761,117
Plan fiduciary net position - beginning	11,810,468	11,640,494	10,879,377
Plan fiduciary net position - ending (b)	\$ 11,925,138	\$ 11,810,468	\$ 11,640,494
Net pension liability - ending (a) - (b)	\$ 13,795,876	\$ 11,480,677	\$ 11,035,099
 Plan fiduciary net position as a percentage of the total pension liability	 46.36%	 50.71%	 51.33%
 Covered payroll	 \$ 3,059,023	 \$ 2,823,863	 \$ 2,878,476
 Net pension liability as a percentage of covered payroll	 450.99%	 406.56%	 383.37%

Note: The City implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

PSPRS Fire
Reporting Fiscal Year
(Measurement Date)

2017 (2016)	2016 (2015)	2015 (2014)
\$ 587,794	\$ 505,581	\$ 505,928
1,955,000	1,822,196	1,597,731
1,885,581	-	280,683
(693,984)	962,142	(58,545)
1,002,245	-	1,665,565
<u>(1,746,310)</u>	<u>(1,532,221)</u>	<u>(731,295)</u>
2,990,326	1,757,698	3,260,067
<u>25,483,711</u>	<u>23,726,013</u>	<u>20,465,946</u>
<u><u>\$ 28,474,037</u></u>	<u><u>\$ 25,483,711</u></u>	<u><u>\$ 23,726,013</u></u>
\$ 1,003,890	\$ 640,170	\$ 663,300
341,001	363,567	281,866
82,081	517,476	1,704,068
(1,746,310)	(1,532,221)	(731,295)
(12,211)	(13,008)	-
<u>120,979</u>	<u>(11,598)</u>	<u>(473,693)</u>
(210,570)	(35,614)	1,444,246
<u>14,298,820</u>	<u>14,334,434</u>	<u>12,890,188</u>
<u><u>\$ 14,088,250</u></u>	<u><u>\$ 14,298,820</u></u>	<u><u>\$ 14,334,434</u></u>
<u><u>\$ 14,385,787</u></u>	<u><u>\$ 11,184,891</u></u>	<u><u>\$ 9,391,579</u></u>
49.48%	56.11%	60.42%
\$ 3,047,143	\$ 2,447,577	\$ 2,655,297
472.11%	456.98%	353.69%

CITY OF KINGMAN, ARIZONA
Required Supplementary Information
Schedule of Pension Contributions
June 30, 2017

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Contractually required contribution	\$ 1,058,827	\$ 1,070,535	\$ 1,024,979
Contributions in relation to the contractually required contribution	\$ (1,058,827)	\$ (1,070,535)	\$ (1,024,979)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 9,806,540	\$ 9,476,307	\$ 9,060,844
Contributions as a percentage of covered-employee payroll	10.80%	11.30%	11.31%

Note: the City implemented GASB 68 in fiscal year 2015. Prior year information is not available.

CITY OF KINGMAN, ARIZONA
Required Supplementary Information
Schedule of Pension Contributions
June 30, 2017

Public Safety Personnel Retirement System

	PSPRS Police Reporting Fiscal Year (Measurement Date)			PSPRS Fire Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)	2017 (2016)	2016 (2015)	2015 (2014)
Actuarially determined contribution	\$ 1,160,861	\$ 796,097	\$ 732,712	\$ 1,003,890	\$ 640,170	\$ 663,300
Contributions in relation to the actuarially determined contribution	\$ (1,160,861)	\$ (796,097)	\$ (732,712)	\$ (1,003,890)	\$ (640,170)	\$ (663,300)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,059,023	\$ 2,823,863	\$ 2,878,476	\$ 3,047,143	\$ 2,447,577	\$ 2,655,297
Contributions as a percentage of covered payroll	37.95%	28.19%	25.45%	32.95%	26.16%	24.98%

Note: The City implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

CITY OF KINGMAN, ARIZONA
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2017

Note 1. Actuarially Determined Contribution Rates

Actuarially determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period as of the 2015 actuarial valuation	21 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, the projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females).

Note 2. Factors That Affect Trends

In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes are included in the PSPRS' changes in total pension liability for fiscal year 2015 (measurement date 2014) in the schedule of changes in the City's net pension liability and related ratios. These changes also increased the PSPRS, required contributions beginning in fiscal year 2016 in the schedule of City pension contributions.

CITY OF KINGMAN, ARIZONA
Required Supplementary Information
Schedule of Agent OPEB Plans' Funding Progress
June 30, 2017

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	
PSPRS Police						
2014	\$ 519,374	\$ 522,788	\$ 3,414	99.35%	\$ 2,878,476	0.12%
2015	573,674	504,673	(69,001)	113.67%	2,823,863	0.00%
2016	608,461	517,895	(90,566)	117.49%	3,059,023	0.00%
2017	**	**	**	**	**	**
PSPRS Fire						
2014	\$ 615,394	\$ 524,693	\$ (90,701)	117.29%	\$ 2,655,299	0.00%
2015	675,949	532,329	(143,620)	126.98%	2,447,577	0.00%
2016	708,664	554,865	(153,799)	127.70%	3,047,143	0.00%
2017	**	**	**	**	**	**

** Information not available at the time the financial statements were issued.

Other Postemployment Benefit

	(a)	(b)	(b) - (a)	(a) / (b)
Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio
2016	-	3,662,857	3,662,857	-
2014	-	4,582,363	4,582,363	-
2012	-	5,293,372	5,293,372	-

CITY OF KINGMAN, ARIZONA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
General Fund
Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes:				
City sales tax	\$ 14,796,000	\$ 14,796,000	\$ 16,395,733	\$ 1,599,733
Auto lieu tax	1,300,000	1,300,000	1,681,683	381,683
Franchise taxes	705,000	705,000	749,802	44,802
Total taxes	16,801,000	16,801,000	18,827,218	2,026,218
Licenses and permits	641,500	641,500	872,223	230,723
Intergovernmental revenues:				
State sales tax	2,415,000	2,415,000	2,647,220	232,220
Urban revenue sharing	3,275,000	3,275,000	3,537,175	262,175
Total intergovernmental	5,690,000	5,690,000	6,184,395	494,395
Charges for services	1,352,000	1,352,000	1,324,700	(27,300)
Fines and forfeitures	260,000	260,000	319,004	59,004
Interest earnings	42,474	42,474	38,169	(4,305)
Other revenues:				
Rent income	38,000	38,000	38,123	123
Miscellaneous revenues	608,000	608,000	121,195	(486,805)
Total other revenues	646,000	646,000	159,318	(459,283)
Total revenues	25,432,974	25,432,974	27,725,027	2,292,053
EXPENDITURES				
Current:				
General government:				
Mayor and council	172,438	172,438	143,504	28,934
Finance	874,855	874,855	828,893	45,962
City clerk	396,005	396,005	349,289	46,716
City magistrate	1,624,216	1,624,216	1,457,325	166,891
City attorney	741,027	741,027	608,638	132,389
City manager	251,883	251,883	208,865	43,018
Planning and zoning	654,690	654,690	539,703	114,987
Risk management	141,716	141,716	132,695	9,021
Human resources	593,361	593,361	497,834	95,527
Contingency	2,767,000	2,767,000	-	2,767,000
Total general government	8,217,191	8,217,191	4,766,746	3,450,445

(Continued)

CITY OF KINGMAN, ARIZONA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
General Fund (Continued)
Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Public safety:				
Police	8,920,250	8,920,250	8,805,527	114,723
Fire	6,781,783	6,781,783	6,193,524	588,259
Building inspections	709,432	709,432	598,345	111,087
Total public safety	16,411,465	16,411,465	15,597,396	814,069
Culture and recreation:				
Parks	1,857,695	1,857,695	1,700,270	157,425
Recreation	546,633	546,633	481,064	65,569
Municipal golf course	1,219,875	1,219,875	1,002,632	217,243
Swimming	420,063	420,063	362,592	57,471
Powerhouse	612,881	612,881	524,379	88,502
Total culture and recreation	4,657,147	4,657,147	4,070,937	586,210
Economic Development				
Economic development	70,000	70,000	59,162	10,838
Tourism development	375,831	375,831	196,231	179,600
Total economic development	445,831	445,831	255,393	190,438
Capital Outlay	483,786	483,786	456,630	27,156
Debt Service				
Principal	45,109	45,109	43,538	1,571
Interest	891	891	891	-
Total debt service	46,000	46,000	44,429	1,571
Total expenditures	30,261,420	30,261,420	25,191,531	5,069,889
Excess of revenues over expenditures	(4,828,446)	(4,828,446)	2,533,496	7,361,942
OTHER FINANCING SOURCES (USES)				
Transfers out	(907,947)	(907,947)	(800,002)	107,945
Transfers in	1,216,565	1,216,565	1,216,565	-
Total other financing sources and (uses)	308,618	308,618	416,563	107,945
Net change in fund balance	(4,519,828)	(4,519,828)	2,950,059	7,469,887
Fund balance, beginning of year	15,346,527	15,346,527	15,346,527	-
Prior period adjustment	-	-	(142,572)	142,572
Fund balance, end of year	\$ 10,826,699	\$ 10,826,699	\$ 18,154,014	\$ 7,612,459

CITY OF KINGMAN, ARIZONA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Highway User Revenue Fund
Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 750,000	\$ 750,000	\$ 815,723	\$ 65,723
Intergovernmental revenue	2,565,141	2,565,141	2,690,468	125,327
Interest	1,000	1,000	5,390	4,390
Other revenues	-	-	3,776	3,776
Total revenues	3,316,141	3,316,141	3,515,357	199,216
EXPENDITURES				
Current:				
Public works/streets	3,964,665	3,964,665	3,529,281	435,384
Capital outlay	219,672	219,672	173,436	46,236
Debt service:				
Principal	54,638	54,638	54,554	84
Interest and fiscal charges	6,562	6,562	6,562	-
Total expenditures	4,245,537	4,245,537	3,763,833	481,704
Excess (deficiency) of revenues over (under) expenditures	(929,396)	(929,396)	(248,476)	680,920
OTHER FINANCING SOURCES (USES)				
Transfers out	(237,136)	(237,136)	(237,136)	-
Transfers in	278,992	278,992	278,992	-
Total other financing sources (uses)	41,856	41,856	41,856	-
Net change in fund balance	(887,540)	(887,540)	(206,620)	680,920
Fund balance, beginning of year	2,321,546	2,321,546	2,321,546	-
Prior period adjustment	-	-	(4,623)	(4,623)
Fund balance, end of year	\$ 1,434,006	\$ 1,434,006	\$ 2,110,303	\$ 676,297

SUPPLEMENTARY INFORMATION
COMBINING STATEMENTS
AND BUDGETARY COMPARISON SCHEDULES

NON- MAJOR FUNDS:

Special Revenue Funds

- **Transit System Fund** – accounts for the activity associated with the system designed to meet the transportation needs of Kingman area residents.
- **Grants Fund** – accounts for all grants received by the City.

Debt Service Fund

- **Special Assessment Districts Fund** - accounts for the special assessments and debt service for the City's improvement districts.
- **Municipal Property Corporation Fund** – accounts for the Kingman Municipal Property Corporation (KMPC) component unit. The KMPC collects rent from the City to pay KMPC bonds issued to acquire and construct City facilities.

Capital Projects Funds

- **Local Construction Fund** – accounts for projects funded from local sources.
- **Capital Projects** – accounts for current and anticipated projects for the City.
- **Kingman Crossing Fund** – accounts for the Kingman Crossing project.
- **Rancho Santa Fe Parkway Fund** – accounts for the Rancho Santa Fe Parkway project.
- **Flood Control Fund** – accounts for intergovernmental aid from Mohave County to be used for flood control construction projects within the City.

CITY OF KINGMAN, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue		Debt Service	
	Transit System	Grants	Special Assessment Districts	MPC
ASSETS				
Cash	\$ 138,932	\$ 842,955	\$ 875,021	\$ 105,518
Restricted cash and investments	-	403,170	-	-
Receivables:				
Assessments	-	-	3,294,113	-
Intergovernmental	71,438	96,005	-	-
Total assets	<u>\$ 210,370</u>	<u>\$ 1,342,130</u>	<u>\$ 4,169,134</u>	<u>\$ 105,518</u>
LIABILITIES				
Accounts payable	\$ 696	\$ 108,899	\$ -	\$ -
Accrued wages and salaries	8,149	-	-	-
Accrued liabilities	32	54	1,649	-
Deposits held for others	-	403,170	-	-
Unearned revenues	-	28,848	-	-
Total liabilities	<u>8,877</u>	<u>540,971</u>	<u>1,649</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-special assessments	-	-	2,171,727	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>2,171,727</u>	<u>-</u>
FUND BALANCES				
Restricted:				
Capital outlay	-	-	-	-
Debt service	-	-	1,995,758	105,518
Other purposes	-	801,159	-	-
Committed:				
Public transportation	201,493	-	-	-
Total fund balances	<u>201,493</u>	<u>801,159</u>	<u>1,995,758</u>	<u>105,518</u>
Total liabilities and fund balances	<u>\$ 210,370</u>	<u>\$ 1,342,130</u>	<u>\$ 4,169,134</u>	<u>\$ 105,518</u>

Capital Project					
Local Construction	Capital Projects	Kingman Crossing	Rancho Santa Fe Parkway	Flood Control	Total
\$ 365,360	\$ 2,578,423	\$ 91,547	\$ 215,775	\$ 2,381,139	\$ 7,594,670
-	-	-	-	-	403,170
-	-	-	-	-	3,294,113
-	-	-	-	-	167,443
<u>\$ 365,360</u>	<u>\$ 2,578,423</u>	<u>\$ 91,547</u>	<u>\$ 215,775</u>	<u>\$ 2,381,139</u>	<u>\$ 11,459,396</u>
\$ -	\$ 77,705	\$ -	\$ -	\$ 61,559	\$ 248,859
-	-	-	-	-	8,149
-	-	-	-	-	1,735
-	-	-	-	-	403,170
-	-	-	-	-	28,848
-	77,705	-	-	61,559	690,761
-	-	-	-	-	2,171,727
-	-	-	-	-	2,171,727
365,360	2,500,718	91,547	215,775	2,319,580	5,492,980
-	-	-	-	-	2,101,276
-	-	-	-	-	801,159
-	-	-	-	-	201,493
<u>365,360</u>	<u>2,500,718</u>	<u>91,547</u>	<u>215,775</u>	<u>2,319,580</u>	<u>8,596,908</u>
<u>\$ 365,360</u>	<u>\$ 2,578,423</u>	<u>\$ 91,547</u>	<u>\$ 215,775</u>	<u>\$ 2,381,139</u>	<u>\$ 11,459,396</u>

CITY OF KINGMAN, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue		Debt Service	
	Transit System	Grants	Special Assessment Districts	MPC
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	408,676	1,337,039	-	-
Charges for services	176,146	-	-	-
Investment earnings	137	2,097	1,941	208
Special assessments	-	-	819,891	-
Other revenues	-	-	-	-
Total revenues	584,959	1,339,136	821,832	208
EXPENDITURES				
Current:				
General government	-	35,698	-	-
Public safety	-	946,528	-	-
Public works/streets	799,139	-	-	-
Capital outlay	13,807	108,675	-	-
Debt service:				
Principal	-	-	613,486	230,000
Interest and fiscal charges	-	-	207,247	41,838
Total expenditures	812,946	1,090,901	820,733	271,838
Excess (deficiency) of revenues over (under) expenditures	(227,987)	248,235	1,099	(271,630)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(33,440)	-
Transfers in	250,000	7,098	-	270,588
Total other financing sources (uses):	250,000	7,098	(33,440)	270,588
Net change in fund balances	22,013	255,333	(32,341)	(1,042)
Fund balances (deficits), beginning of year	181,878	545,826	2,028,099	106,560
Prior period adjustment	(2,398)	-	-	-
Fund balances, end of year	\$ 201,493	\$ 801,159	\$ 1,995,758	\$ 105,518

Capital Project					
Local Construction	Capital Projects	Kingman Crossing	Rancho Santa Fe Parkway	Flood Control	Total
\$ -	\$ 496,132	\$ -	\$ -	\$ -	\$ 496,132
-	-	-	-	606,888	2,352,603
-	-	-	-	-	176,146
772	4,036	1,609	529	4,510	15,839
-	-	-	-	-	819,891
-	38,054	-	-	-	38,054
772	538,222	1,609	529	611,398	3,898,665
-	-	-	-	-	35,698
-	-	-	-	-	946,528
-	-	-	-	-	799,139
-	1,142,662	-	-	548,572	1,813,716
-	-	-	-	-	843,486
-	-	-	-	-	249,085
-	1,142,662	-	-	548,572	4,687,652
772	(604,440)	1,609	529	62,826	(788,987)
-	-	(1,157,158)	(60,000)	-	(1,250,598)
-	1,537,218	-	-	-	2,064,904
-	1,537,218	(1,157,158)	(60,000)	-	814,306
772	932,778	(1,155,549)	(59,471)	62,826	25,319
364,588	1,567,940	1,247,096	275,246	2,256,754	8,573,987
-	-	-	-	-	(2,398)
<u>\$ 365,360</u>	<u>\$ 2,500,718</u>	<u>\$ 91,547</u>	<u>\$ 215,775</u>	<u>\$ 2,319,580</u>	<u>\$ 8,596,908</u>

CITY OF KINGMAN, ARIZONA
TRANSIT SYSTEM
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 420,000	\$ 420,000	\$ 408,676	\$ (11,324)
Charges for services	183,000	183,000	176,146	(6,854)
Interest	-	-	137	137
Total revenues	<u>603,000</u>	<u>603,000</u>	<u>584,959</u>	<u>(18,041)</u>
EXPENDITURES				
Current:				
Highways and streets	826,000	826,000	799,139	26,861
Capital outlay	<u>30,000</u>	<u>30,000</u>	<u>13,807</u>	<u>16,193</u>
Total expenditures	<u>856,000</u>	<u>856,000</u>	<u>812,946</u>	<u>43,054</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(253,000)</u>	<u>(253,000)</u>	<u>(227,987)</u>	<u>25,013</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total other financing sources (uses)	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Net change in fund balance	(3,000)	(3,000)	22,013	25,013
Fund balance (deficit), beginning of year	181,878	181,878	181,878	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(2,398)</u>	<u>(2,398)</u>
Fund balance (deficit), end of year	<u>\$ 178,878</u>	<u>\$ 178,878</u>	<u>\$ 201,493</u>	<u>\$ 22,615</u>

CITY OF KINGMAN, ARIZONA
GRANTS
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 6,247,474	\$ 6,247,474	\$ 1,337,039	\$ (4,910,435)
Interest	-	-	2,097	2,097
Total revenues	6,247,474	6,247,474	1,339,136	(4,908,338)
EXPENDITURES				
Current:				
General government	1,314,206	1,314,206	35,698	1,278,508
Public safety	2,817,048	2,817,048	946,528	1,870,520
Capital outlay	2,026,741	2,026,741	108,675	1,918,066
Total expenditures	6,157,995	6,157,995	1,090,901	5,067,094
Excess (deficiency) of revenues over (under) expenditures	89,479	89,479	248,235	158,756
OTHER FINANCING SOURCES (USES)				
Transfers in	37,013	37,013	7,098	(29,915)
Total other financing sources (uses)	37,013	37,013	7,098	(29,915)
Net change in fund balance	126,492	126,492	255,333	128,841
Fund balance (deficit), beginning of year	545,826	545,826	545,826	-
Fund balance (deficit), end of year	\$ 672,318	\$ 672,318	\$ 801,159	\$ 128,841

CITY OF KINGMAN, ARIZONA
SPECIAL ASSESSMENT DISTRICTS
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Interest	\$ -	\$ -	\$ 1,941	\$ 1,941
Special assessments	507,150	507,150	819,891	312,741
Total revenues	507,150	507,150	821,832	314,682
EXPENDITURES				
Debt service				
Principal	613,486	613,486	613,486	-
Interest and fiscal charges	224,021	224,021	207,247	16,774
Total expenditures	837,507	837,507	820,733	16,774
Excess (deficiency) of revenues over (under) expenditures	(330,357)	(330,357)	1,099	331,456
OTHER FINANCING SOURCES (USES)				
Transfers out	(33,440)	(33,440)	(33,440)	-
Total other financing sources (uses)	(33,440)	(33,440)	(33,440)	-
Net change in fund balance	(363,797)	(363,797)	(32,341)	331,456
Fund balance, beginning of year	2,028,099	2,028,099	2,028,099	-
Fund balance (deficit), end of year	\$ 1,664,302	\$ 1,664,302	\$ 1,995,758	\$ 331,456

CITY OF KINGMAN, ARIZONA
MUNICIPAL PROPERTY CORPORATION
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 208	\$ 208
Total revenues	-	-	208	208
EXPENDITURES				
Current:				
Debt service				
Principal	230,000	230,000	230,000	-
Interest and fiscal charges	41,838	41,838	41,838	-
Total expenditures	271,838	271,838	271,838	-
Excess (deficiency) of revenues over (under) expenditures	(271,838)	(271,838)	(271,630)	208
OTHER FINANCING SOURCES (USES)				
Transfers in	270,588	270,588	270,588	-
Total other financing sources (uses)	270,588	270,588	270,588	-
Net change in fund balance	(1,250)	(1,250)	(1,042)	208
Fund balance, beginning of year	106,560	106,560	106,560	-
Fund balance (deficit), end of year	\$ 105,310	\$ 105,310	\$ 105,518	\$ 208

CITY OF KINGMAN, ARIZONA
LOCAL CONSTRUCTION
Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest	\$ 1,000	\$ 1,000	\$ 772	\$ (228)
Total revenues	1,000	1,000	772	(228)
EXPENDITURES				
Capital outlay	350,000	350,000	-	350,000
Total expenditures	350,000	350,000	-	350,000
Excess (deficiency) of revenues over (under) expenditures	(349,000)	(349,000)	772	349,772
Fund balance, beginning of year	364,588	364,588	364,588	-
Fund balance, end of year	<u>\$ 15,588</u>	<u>\$ 15,588</u>	<u>\$ 365,360</u>	<u>\$ 349,772</u>

CITY OF KINGMAN, ARIZONA
CAPITAL PROJECTS
Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Taxes	\$ 396,000	\$ 396,000	\$ 496,132	\$ 100,132
Interest	5,000	5,000	4,036	(964)
Development investment fees	1,506,998	1,506,998	-	(1,506,998)
Other	37,400	37,400	38,054	654
Total revenues	<u>1,945,398</u>	<u>1,945,398</u>	<u>538,222</u>	<u>(1,407,176)</u>
EXPENDITURES				
Capital outlay	<u>3,306,310</u>	<u>3,306,310</u>	<u>1,142,662</u>	<u>2,163,648</u>
Total expenditures	<u>3,306,310</u>	<u>3,306,310</u>	<u>1,142,662</u>	<u>2,163,648</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,360,912)</u>	<u>(1,360,912)</u>	<u>(604,440)</u>	<u>756,472</u>
Other Financing Sources (Uses):				
Transfers in	<u>475,760</u>	<u>475,760</u>	<u>1,537,218</u>	<u>1,061,458</u>
Total other financing Sources (Uses)	<u>475,760</u>	<u>475,760</u>	<u>1,537,218</u>	<u>1,061,458</u>
Net change in fund balances	(885,152)	(885,152)	932,778	1,817,930
Fund balance, beginning of year	<u>1,567,940</u>	<u>1,567,940</u>	<u>1,567,940</u>	<u>-</u>
Fund balance, end of year	<u>\$ 682,788</u>	<u>\$ 682,788</u>	<u>\$ 2,500,718</u>	<u>\$ 1,817,930</u>

CITY OF KINGMAN, ARIZONA
KINGMAN CROSSING
Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 1,609	\$ 1,609
Developer participation	19,207,000	19,207,000	-	(19,207,000)
Total revenues	19,207,000	19,207,000	1,609	(19,205,391)
EXPENDITURES				
Capital outlay	19,207,000	19,207,000	-	19,207,000
Total expenditures	19,207,000	19,207,000	-	19,207,000
Excess (deficiency) of revenues over (under) expenditures	-	-	1,609	1,609
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(1,157,158)	(1,157,158)
Total other financing sources (uses)	-	-	(1,157,158)	(1,157,158)
Net change in fund balances	-	-	(1,155,549)	(1,155,549)
Fund balance, beginning of year	1,247,096	1,247,096	1,247,096	-
Fund balance, end of year	\$ 1,247,096	\$ 1,247,096	\$ 91,547	\$ (1,155,549)

CITY OF KINGMAN, ARIZONA
RANCHO SANTA FE PARKWAY
Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 529	\$ 529
Intergovernmental	27,423,821	27,423,821	-	(27,423,821)
Developer participation	1,712,000	1,712,000	-	(1,712,000)
Total revenues	29,135,821	29,135,821	529	(29,135,292)
EXPENDITURES				
Capital outlay	49,295,745	49,295,745	-	49,295,745
Total expenditures	49,295,745	49,295,745	-	49,295,745
Excess (deficiency) of revenues over (under) expenditures	(20,159,924)	(20,159,924)	529	20,160,453
OTHER FINANCING SOURCES (USES)				
Debt proceeds	20,099,924	20,099,924	-	(20,099,924)
Transfers out	-	-	(60,000)	(60,000)
Total other financing sources (uses)	20,099,924	20,099,924	(60,000)	(20,159,924)
Net change in fund balance	(60,000)	(60,000)	(59,471)	529
Fund balance, beginning of year	275,246	275,246	275,246	-
Fund balance, end of year	\$ 215,246	\$ 215,246	\$ 215,775	\$ 529

**CITY OF KINGMAN, ARIZONA
FLOOD CONTROL
Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Interest	\$ 3,000	\$ 3,000	\$ 4,510	\$ 1,510
Intergovernmental	<u>542,062</u>	<u>542,062</u>	<u>606,888</u>	<u>64,826</u>
Total revenues	<u>545,062</u>	<u>545,062</u>	<u>611,398</u>	<u>66,336</u>
EXPENDITURES				
Capital outlay	<u>1,920,000</u>	<u>1,920,000</u>	<u>548,572</u>	<u>1,371,428</u>
Total expenditures	<u>1,920,000</u>	<u>1,920,000</u>	<u>548,572</u>	<u>1,371,428</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,374,938)</u>	<u>(1,374,938)</u>	<u>62,826</u>	<u>1,437,764</u>
Fund balance, beginning of year	<u>2,256,754</u>	<u>2,256,754</u>	<u>2,256,754</u>	<u>-</u>
Fund balance, end of year	<u>\$ 881,816</u>	<u>\$ 881,816</u>	<u>\$ 2,319,580</u>	<u>\$ 1,437,764</u>

INTERNAL SERVICE FUNDS

- **911 Dispatch Center Fund** – accounts for the City’s 911 operations.
- **Fleet Services Fund** – accounts for the City’s internal fleet operations.
- **Insurance Services Fund** – accounts for the City’s property and liability insurance program.
- **Building Maintenance Services Fund** – accounts for the cost of maintaining and repairing City facilities.
- **Information Technology Fund** – accounts for the City’s cost of providing information support services to all City departments.
- **Benefits Reserve Fund** – accounts for the residual activity associated with the City’s self-insurance program, premium payments to the Northwest Arizona Employee Benefit Trust pool, and other miscellaneous insurance related operations.

CITY OF KINGMAN, ARIZONA
Combining Statement of Net Position-
All Internal Service Funds
June 30, 2017

	911 Dispatch Center	Fleet Services	Insurance Services
ASSETS			
Current Assets:			
Cash	\$ 1,083,743	\$ 660,809	\$ 1,112,702
Receivables (net of allowance)	-	178	20,500
Prepaid items	202	-	-
Total current assets	<u>1,083,945</u>	<u>660,987</u>	<u>1,133,202</u>
Noncurrent Assets:			
Land and water rights	-	567,000	-
Buildings	-	576,100	-
System improvements	10,060	78,660	-
Machinery and equipment	280,068	265,272	-
Accumulated depreciation	(164,042)	(719,513)	-
Total noncurrent assets	<u>126,086</u>	<u>767,519</u>	<u>-</u>
Total Assets	<u>1,210,031</u>	<u>1,428,506</u>	<u>1,133,202</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	<u>224,264</u>	<u>104,405</u>	<u>-</u>
LIABILITIES			
Current liabilities:			
Accounts payable	17,034	18,839	7,164
Accrued wages and benefits	13,878	5,924	-
Accrued liabilities	11	8,765	-
Compensated absences	26,372	25,594	-
Unearned revenue	-	-	-
Capital leases payable - current portion	-	57,725	-
Total current liabilities	<u>57,295</u>	<u>116,847</u>	<u>7,164</u>
Noncurrent liabilities:			
Compensated absences	8,790	8,531	-
Net pension liability	1,113,032	518,165	-
Total noncurrent liabilities	<u>1,121,822</u>	<u>526,696</u>	<u>-</u>
Total liabilities	<u>1,179,117</u>	<u>643,543</u>	<u>7,164</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	<u>153,590</u>	<u>71,503</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	126,086	709,794	-
Unrestricted	(24,498)	108,071	1,126,038
Total net position	<u>\$ 101,588</u>	<u>\$ 817,865</u>	<u>\$ 1,126,038</u>

Building Maintenance Services	Information Technology	Benefits Reserve Fund	Totals
\$ 938,676	\$ 510,780	\$ 1,541,130	\$ 5,847,840
-	-	3,820	24,498
-	-	-	202
<u>938,676</u>	<u>510,780</u>	<u>1,544,950</u>	<u>5,872,540</u>
-	-	-	567,000
-	-	-	576,100
6,000	-	-	94,720
82,974	477,241	-	1,105,555
(41,648)	(320,219)	-	(1,245,422)
<u>47,326</u>	<u>157,022</u>	<u>-</u>	<u>1,097,953</u>
<u>986,002</u>	<u>667,802</u>	<u>1,544,950</u>	<u>6,970,493</u>
 66,627	 123,638	 -	 518,934
 20,180	 49,598	 4,438	 117,253
3,783	6,223	345	30,153
13	3	-	8,792
9,884	23,772	-	85,622
-	-	25	25
-	-	-	57,725
<u>33,860</u>	<u>79,596</u>	<u>4,808</u>	<u>299,570</u>
 3,294	 7,924	 -	 28,539
330,671	613,616	-	2,575,484
333,965	621,540	-	2,604,023
<u>367,825</u>	<u>701,136</u>	<u>4,808</u>	<u>2,903,593</u>
 45,630	 84,676	 -	 355,399
 47,326	 157,022	 -	 1,040,228
<u>591,848</u>	<u>(151,394)</u>	<u>1,540,142</u>	<u>3,190,207</u>
<u>\$ 639,174</u>	<u>\$ 5,628</u>	<u>\$ 1,540,142</u>	<u>\$ 4,230,435</u>

CITY OF KINGMAN, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Net Position
All Internal Service Funds
For the Year Ended June 30, 2017

	911 Dispatch Center	Fleet Services	Insurance Services
Operating Revenues			
Charges for services	\$1,160,495	\$1,442,845	\$606,300
Contributions	-	-	-
Other revenues	211,264	6,352	-
Total operating revenues	<u>1,371,759</u>	<u>1,449,197</u>	<u>606,300</u>
Operating Expenses			
Salaries, wages and benefits	987,363	416,725	-
Administration/legal/contract services	6,177	3,760	602,549
Supplies	154,483	640,906	-
Repairs and maintenance	3,848	2,469	-
Utilities	11,967	-	-
Depreciation	17,831	21,591	-
Total operating expenses	<u>1,181,669</u>	<u>1,085,451</u>	<u>602,549</u>
Operating income (loss)	<u>190,090</u>	<u>363,746</u>	<u>3,751</u>
Non-operating Revenues (Expenses)			
Interest income	2,200	1,243	2,310
Interest expense and fiscal charges	-	(6,563)	-
Total non-operating revenue (expense)	<u>2,200</u>	<u>(5,320)</u>	<u>2,310</u>
Income (loss) before contributions and transfers	192,290	358,426	6,061
Transfers out	(62,000)	-	-
Transfers in	-	-	-
Change in net position	130,290	358,426	6,061
Total net position, beginning of year	(24,872)	461,434	1,119,977
Prior period adjustment	(3,830)	(1,995)	-
Total net position, end of year	<u>\$ 101,588</u>	<u>\$ 817,865</u>	<u>\$ 1,126,038</u>

Building Maintenance Services	Information Technology	Benefits Reserve Fund	Totals
\$682,600	\$1,128,960	\$ -	\$ 5,021,200
-	-	4,247,903	4,247,903
2,776	3,340	87,642	311,374
685,376	1,132,300	4,335,545	9,580,477
376,340	398,814	205,872	2,385,114
6,577	392,387	4,337,889	5,349,339
79,291	141,553	-	1,016,233
66,062	-	-	72,379
164,221	-	-	176,188
3,869	51,632	-	94,923
696,360	984,386	4,543,761	9,094,176
(10,984)	147,914	(208,216)	486,301
1,987	976	3,219	11,935
-	-	-	(6,563)
1,987	976	3,219	5,372
(8,997)	148,890	(204,997)	491,673
-	-	-	(62,000)
-	-	100,000	100,000
(8,997)	148,890	(104,997)	529,673
649,362	(140,978)	1,645,139	3,710,062
(1,191)	(2,284)	-	(9,300)
\$ 639,174	\$ 5,628	\$ 1,540,142	\$ 4,230,435

CITY OF KINGMAN, ARIZONA
Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended June 30, 2017

	911 Dispatch Center	Fleet Services	Insurance Services
Cash Flows From Operating Activities:			
Cash received from customers, service fees	\$1,160,495	\$ 1,442,667	\$ 585,800
Cash received from customers, other	211,264	6,352	-
Cash paid to suppliers	(159,943)	(647,716)	(613,278)
Cash paid to employees	(964,879)	(489,689)	-
Cash flows from operating activities	<u>246,937</u>	<u>311,614</u>	<u>(27,478)</u>
Cash Flows From Noncapital			
Financing Activities:			
Transfers	(62,000)	-	-
Cash flows from noncapital financing activities	<u>(62,000)</u>	<u>-</u>	<u>-</u>
Cash Flows From Capital and Related			
Financing Activities:			
Purchase of capital assets	-	(21,772)	-
Principal paid on long term debt	-	(54,553)	-
Interest paid	-	(6,563)	-
Cash flows from capital and related financing activities	<u>-</u>	<u>(82,888)</u>	<u>-</u>
Cash Flows From Investing Activities:			
Interest on investments	<u>2,200</u>	<u>1,243</u>	<u>2,310</u>
Net change in cash and cash equivalents	187,137	229,969	(25,168)
Cash and cash equivalents, including temporarily restricted cash, beginning of year	<u>896,606</u>	<u>430,840</u>	<u>1,137,870</u>
Cash and cash equivalents, including temporarily restricted cash, end of year	<u><u>\$ 1,083,743</u></u>	<u><u>\$ 660,809</u></u>	<u><u>\$ 1,112,702</u></u>
Reconciliation of operating income to net cash flows from operating activities:			
Net operating income (loss)	\$ 190,090	\$ 363,746	\$ 3,751
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation/amortization	17,831	21,591	-
Pension expense	114,175	(29,326)	-
Employer pension contributions	(75,782)	(35,280)	-
Changes in operating assets and liabilities:			
(Increase) decrease in receivables	-	(178)	(20,500)
(Increase) decrease in prepaid items	(202)	-	-
Increase (decrease) in payables	16,734	(581)	(10,729)
Increase (decrease) in accrued liabilities & deposits	<u>(15,909)</u>	<u>(8,358)</u>	<u>-</u>
Net cash flows from operating activities	<u><u>\$ 246,937</u></u>	<u><u>\$ 311,614</u></u>	<u><u>\$ (27,478)</u></u>

Building Maintenance Services	Information Technology	Benefits Reserve Fund	Totals
\$ 682,600	\$ 1,128,960	\$ 4,247,903	\$ 9,248,425
2,776	3,340	86,724	310,456
(315,454)	(505,009)	(4,334,857)	(6,576,257)
(328,731)	(546,462)	(208,937)	(2,538,698)
<u>41,191</u>	<u>80,829</u>	<u>(209,167)</u>	<u>443,926</u>
<u>-</u>	<u>-</u>	<u>100,000</u>	<u>38,000</u>
<u>-</u>	<u>-</u>	<u>100,000</u>	<u>38,000</u>
(40,620)	(47,678)	-	(110,070)
-	-	-	(54,553)
-	-	-	(6,563)
<u>(40,620)</u>	<u>(47,678)</u>	<u>-</u>	<u>(171,186)</u>
<u>1,987</u>	<u>976</u>	<u>3,219</u>	<u>11,935</u>
2,558	34,127	(105,948)	322,675
<u>936,118</u>	<u>476,653</u>	<u>1,647,078</u>	<u>5,525,165</u>
<u>\$ 938,676</u>	<u>\$ 510,780</u>	<u>\$ 1,541,130</u>	<u>\$ 5,847,840</u>
\$ (10,984)	\$ 147,914	\$ (208,216)	\$ 486,301
3,869	51,632	-	94,923
77,895	(93,606)	-	69,138
(22,514)	(41,779)	-	(175,355)
-	-	(918)	(21,596)
-	-	-	(202)
697	28,931	3,032	38,084
(7,772)	(12,263)	(3,065)	(47,367)
<u>\$ 41,191</u>	<u>\$ 80,829</u>	<u>\$ (209,167)</u>	<u>\$ 443,926</u>

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STATISTICAL SECTION

This part of the City of Kingman’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Contents	Page
Financial Trends	102
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well being have changed over time.</i>	
Revenue Capacity	115
<i>These schedules contain information to help the reader assess the government’s property taxes and the most significant local revenues source, the sales tax.</i>	
Debt Capacity	117
<i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information.....	121
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating Information	123
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	

CITY OF KINGMAN, ARIZONA
Net Position by Component
Last Ten Fiscal Years
(Accrual basis of accounting)

	Fiscal Year Ended				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Governmental activities:					
Net investment in capital assets	\$ 47,574,413	\$ 47,082,904	\$ 44,485,295	\$ 43,663,259	\$ 42,022,454
Restricted	10,707,211	10,895,533	10,955,858	11,525,848	12,054,804
Unrestricted	(11,245,293)	(10,308,136)	(11,317,876)	12,064,132	10,881,884
Total governmental activities net position	<u>\$ 47,036,331</u>	<u>\$ 47,670,301</u>	<u>\$ 44,123,277</u>	<u>\$ 67,253,239</u>	<u>\$ 64,959,142</u>
Total business-type activities					
Net investment in capital assets	\$ 46,748,642	\$ 41,236,167	\$ 38,415,731	\$ 37,225,869	\$ 36,859,201
Restricted	709,052	709,052	4,358,367	3,405,895	2,627,348
Unrestricted	34,217,794	35,254,055	28,831,046	30,926,842	25,841,488
Total business-type activities net position	<u>\$ 81,675,488</u>	<u>\$ 77,199,274</u>	<u>\$ 71,605,144</u>	<u>\$ 71,558,606</u>	<u>\$ 65,328,037</u>
Primary government					
Net investment in capital assets	\$ 94,323,055	\$ 88,319,071	\$ 82,901,026	\$ 80,889,128	\$ 78,881,655
Restricted	11,416,263	11,604,585	15,314,225	14,931,743	14,682,152
Unrestricted	22,972,501	24,945,919	17,513,170	42,990,974	36,723,372
Total net position	<u>\$ 128,711,819</u>	<u>\$ 124,869,575</u>	<u>\$ 115,728,421</u>	<u>\$ 138,811,845</u>	<u>\$ 130,287,179</u>

(Continued)

CITY OF KINGMAN, ARIZONA
Net Position by Component
Last Ten Fiscal Years
(Accrual basis of accounting)

	Fiscal Year Ended				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities:					
Net investment in capital assets	\$ 41,509,396	\$ 40,034,056	\$ 38,762,943	\$ 37,891,064	\$ 37,438,313
Restricted	12,533,340	15,125,063	329,125	387,789	445,957
Unrestricted	11,011,417	12,903,489	30,294,711	28,536,485	28,310,524
Total governmental activities net position	<u>\$ 65,054,153</u>	<u>\$ 68,062,608</u>	<u>\$ 69,386,779</u>	<u>\$ 66,815,338</u>	<u>\$ 66,194,794</u>
 Total business-type activities					
Net investment in capital assets	\$ 34,934,099	\$ 31,371,150	\$ 31,861,904	\$ 29,906,112	\$ 30,578,796
Restricted	1,848,801	2,335,931	1,828,632	942,356	938,662
Unrestricted	23,953,643	19,802,816	15,869,839	15,482,328	13,468,732
Total business-type activities net position	<u>60,736,543</u>	<u>53,509,897</u>	<u>49,560,375</u>	<u>46,330,796</u>	<u>44,986,190</u>
 Primary government					
Net investment in capital assets	\$ 76,443,495	\$ 71,405,206	\$ 70,624,847	\$ 67,797,176	\$ 68,017,109
Restricted	14,382,141	17,460,994	2,157,757	1,330,145	1,384,619
Unrestricted	34,965,060	32,706,305	46,164,550	44,018,813	41,779,256
Total net position	<u>\$ 125,790,696</u>	<u>\$ 121,572,505</u>	<u>\$ 118,947,154</u>	<u>\$ 113,146,134</u>	<u>\$ 111,180,984</u>

Source: The source of this information is the City's financial records

(Concluded)

CITY OF KINGMAN, ARIZONA
Expenses, Program Revenues, and Net Expense
Last Ten Fiscal Years
(Accrual basis of accounting)

	Fiscal Year Ended				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Expenses:					
Governmental activities:					
General government	\$ 5,296,985	\$ 4,516,412	\$ 5,416,624	\$ 4,771,156	\$ 5,353,769
Public safety	20,858,567	16,388,037	16,116,770	15,875,548	14,962,499
Public works/Streets	6,260,591	5,234,697	5,245,982	4,921,026	4,791,529
Economic development	255,276	241,022	262,965	3,815,251	3,770,234
Culture and recreation	4,116,722	3,674,420	3,764,336	398,757	522,579
Interest on long-term debt	263,101	331,520	415,010	521,663	616,940
Total governmental activities	<u>37,051,242</u>	<u>30,386,108</u>	<u>31,221,687</u>	<u>30,303,401</u>	<u>30,017,550</u>
Business-type activities					
Water	7,841,900	7,682,180	7,084,595	7,116,700	7,002,009
Wastewater	4,761,573	4,472,267	4,355,062	4,531,419	4,224,008
Refuse	3,115,475	2,982,783	3,059,890	3,020,247	3,001,675
Total business-type activities	<u>15,718,948</u>	<u>15,137,230</u>	<u>14,499,547</u>	<u>14,668,366</u>	<u>14,227,692</u>
Total expenses	<u>52,770,190</u>	<u>45,523,338</u>	<u>45,721,234</u>	<u>44,971,767</u>	<u>44,245,242</u>
Program Revenues:					
Charges for services					
Culture and recreation	1,278,503	1,196,511	1,270,732	1,243,615	1,298,940
Economic development	752,462	619,159	638,075	552,670	462,675
Other	725,715	703,464	708,463	922,381	812,952
Operating grants and contributions	5,102,188	4,833,356	4,428,977	2,175,015	1,940,274
Capital grants and contributions	1,011,771	450,311	1,086,946	1,503,739	1,549,150
Total governmental activities	<u>8,870,639</u>	<u>7,802,801</u>	<u>8,133,193</u>	<u>6,397,420</u>	<u>6,063,991</u>
Business-type activities:					
Charges for services					
Water	8,846,542	8,891,644	8,295,956	8,178,178	8,531,967
Wastewater	9,120,705	8,902,205	8,753,810	8,936,591	7,544,469
Refuse	3,546,327	3,647,411	3,411,473	3,357,109	3,317,741
Capital grants and contributions	-	3,114	-	155,194	-
Total business-type activities	<u>21,513,574</u>	<u>21,444,374</u>	<u>20,461,239</u>	<u>20,627,072</u>	<u>19,394,177</u>
Total program revenues	<u>30,384,213</u>	<u>29,247,175</u>	<u>28,594,432</u>	<u>27,024,492</u>	<u>25,458,168</u>
Net Expense	<u>\$ (22,385,977)</u>	<u>\$ (16,276,163)</u>	<u>\$ (17,126,802)</u>	<u>\$ (17,947,275)</u>	<u>\$ (18,787,074)</u>

(Continued)

CITY OF KINGMAN, ARIZONA
Expenses, Program Revenues, and Net Expense
Last Ten Fiscal Years
(Accrual basis of accounting)

	Fiscal Year Ended				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenses:					
Governmental activities:					
General government	\$ 5,198,867	\$ 5,315,740	\$ 4,616,031	\$ 4,761,050	\$ 4,812,710
Public safety	15,306,386	14,926,549	15,337,732	15,865,007	15,757,220
Public works/Streets	4,038,716	4,269,435	4,499,627	4,085,526	5,548,153
Economic development	3,751,168	3,873,742	3,826,798	4,574,132	4,916,992
Culture and recreation	661,862	1,170,810	562,714	306,605	269,108
Interest on long-term debt	714,704	794,858	875,832	808,803	733,249
Total governmental activities	<u>29,671,703</u>	<u>30,351,134</u>	<u>29,718,734</u>	<u>30,401,123</u>	<u>32,037,432</u>
Business-type activities					
Water	7,029,281	6,938,517	7,081,551	7,546,397	7,365,694
Wastewater	3,961,335	2,723,165	2,098,760	1,746,494	1,365,364
Refuse	3,014,553	2,931,247	2,721,958	2,703,858	2,833,348
Total business-type activities	<u>14,005,169</u>	<u>12,592,929</u>	<u>11,902,269</u>	<u>11,996,749</u>	<u>11,564,406</u>
Total expenses	<u>43,676,872</u>	<u>42,944,063</u>	<u>41,621,003</u>	<u>42,397,872</u>	<u>43,601,838</u>
Program Revenues:					
Charges for services					
Culture and recreation	1,212,621	1,254,738	1,238,827	1,093,529	1,347,712
Economic development	354,734	258,415	463,055	737,699	878,552
Other	1,234,807	1,258,283	748,808	1,726,696	1,211,968
Operating grants and contributions	2,250,529	1,821,520	2,492,889	1,825,376	2,621,629
Capital grants and contributions	1,678,832	3,119,466	5,312,895	1,270,449	1,973,809
Total governmental activities	<u>6,731,523</u>	<u>7,712,422</u>	<u>10,256,474</u>	<u>6,653,749</u>	<u>8,033,670</u>
Business-type activities:					
Charges for services					
Water	8,420,703	8,224,873	8,787,008	7,723,005	9,153,960
Wastewater	6,120,036	4,960,562	3,846,079	3,370,892	2,791,018
Refuse	3,314,137	3,329,620	3,305,488	3,336,841	3,292,757
Capital grants and contributions	2,061,111	-	-	-	-
Total business-type activities	<u>19,915,987</u>	<u>16,515,055</u>	<u>15,938,575</u>	<u>14,430,738</u>	<u>15,237,735</u>
Total program revenues	<u>26,647,510</u>	<u>24,227,477</u>	<u>26,195,049</u>	<u>21,084,487</u>	<u>23,271,405</u>
Net Expense	<u>\$ (17,029,362)</u>	<u>\$ (18,716,586)</u>	<u>\$ (15,425,954)</u>	<u>\$ (21,313,385)</u>	<u>\$ (20,330,433)</u>

Source: The source of this information is the City's financial records

(Concluded)

CITY OF KINGMAN, ARIZONA
General Revenues and Total Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)

	Fiscal Year Ended				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net Expense	\$ (22,385,977)	\$ (16,276,163)	\$ (17,126,802)	\$ (17,947,275)	\$ (18,787,074)
General Revenues:					
Governmental activities					
Taxes:					
Sales taxes	17,707,588	16,711,555	16,103,275	15,484,419	12,807,658
Property taxes	-	-	-	-	-
Auto lieu taxes	1,681,683	1,535,893	1,424,650	1,339,535	1,294,678
Franchise taxes	749,802	751,670	705,659	705,760	684,455
Unrestricted state shared revenue	6,184,395	6,032,794	5,962,904	7,817,869	7,328,198
Investment income	71,333	167,928	33,547	106,233	130,247
Miscellaneous	-	-	529,134	41,208	624,976
Transfers	<u>1,310,725</u>	<u>930,492</u>	<u>831,774</u>	<u>705,054</u>	<u>988,336</u>
Total governmental activities	<u>27,705,526</u>	<u>26,130,332</u>	<u>25,590,943</u>	<u>26,200,078</u>	<u>23,858,548</u>
General Revenues:					
Business-type activities					
Investment income	84,199	217,478	42,895	145,225	160,522
Miscellaneous	(70,945)	-	-	831,692	252,823
Transfers	<u>(1,310,725)</u>	<u>(930,492)</u>	<u>(831,774)</u>	<u>(705,054)</u>	<u>(988,336)</u>
Total business-type activities	<u>(1,297,471)</u>	<u>(713,014)</u>	<u>(788,879)</u>	<u>271,863</u>	<u>(574,991)</u>
Changes in Net Position	<u>\$ 4,022,078</u>	<u>\$ 9,141,155</u>	<u>\$ 7,675,262</u>	<u>\$ 8,524,666</u>	<u>\$ 4,496,483</u>

(Continued)

CITY OF KINGMAN, ARIZONA
General Revenues and Total Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)

	Fiscal Year Ended				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net Expense	\$ (17,029,362)	\$ (18,716,586)	\$ (15,425,954)	\$ (21,313,385)	\$ (20,330,433)
General Revenues:					
Governmental activities					
Taxes:					
Sales taxes	11,641,816	11,264,735	11,648,543	12,024,409	12,990,502
Property taxes	-	1,495	20,169	437,457	430,630
Auto lieu taxes	1,309,913	1,275,096	1,290,144	1,375,193	1,501,803
Franchise taxes	702,454	744,872	657,793	804,964	730,892
Unrestricted state shared revenue	6,541,472	6,684,959	7,229,643	8,230,525	8,702,727
Investment income	125,298	247,903	207,908	259,194	778,418
Miscellaneous	79,443	70,562	17,850	14,631	12,796
Transfers	<u>(468,671)</u>	<u>1,024,919</u>	<u>961,651</u>	<u>1,221,545</u>	<u>921,738</u>
Total governmental activities	<u>19,931,725</u>	<u>21,314,541</u>	<u>22,033,701</u>	<u>24,367,918</u>	<u>26,069,506</u>
General Revenues:					
Business-type activities					
Investment income	108,061	211,220	154,924	132,162	395,822
Miscellaneous	739,096	841,095	-	-	-
Transfers	<u>468,671</u>	<u>(1,024,919)</u>	<u>(961,651)</u>	<u>(1,221,545)</u>	<u>(921,738)</u>
Total business-type activities	<u>1,315,828</u>	<u>27,396</u>	<u>(806,727)</u>	<u>(1,089,383)</u>	<u>(525,916)</u>
Changes in Net Position	<u>\$ 4,218,191</u>	<u>\$ 2,625,351</u>	<u>\$ 5,801,020</u>	<u>\$ 1,965,150</u>	<u>\$ 5,213,157</u>

Source: The source of this information is the City's financial records

(Concluded)

CITY OF KINGMAN, ARIZONA
Fund Balances – Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	Fiscal Year Ended				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Fund:					
Nonspendable	\$ 86,023	\$ 172,499	\$ 54,496	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	7,965,451	3,215,213	1,877,215	1,151,386	1,051,250
Assigned	-	72,311	69,279	90,958	87,157
Unassigned	10,102,540	11,886,504	11,127,190	8,352,471	6,649,740
Unreserved	-	-	-	-	-
Total General Fund	<u>\$ 18,154,014</u>	<u>\$ 15,346,527</u>	<u>\$ 13,128,180</u>	<u>\$ 9,594,815</u>	<u>\$ 7,788,147</u>
 All Other Governmental Funds					
Nonspendable	\$ 1,261	\$ -	\$ -	\$ -	\$ -
Restricted	10,504,457	10,713,655	10,817,289	6,979,949	6,665,017
Committed	201,493	181,878	138,569	143,060	-
Assigned	-	-	-	1,906,758	1,879,343
Unassigned	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Total all other governmental funds	<u>\$ 10,707,211</u>	<u>\$ 10,895,533</u>	<u>\$ 10,955,858</u>	<u>\$ 9,029,767</u>	<u>\$ 8,544,360</u>

CITY OF KINGMAN, ARIZONA
Fund Balances – Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	Fiscal Year Ended				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	958,534	936,189	-	-	-
Assigned	83,026	78,600	-	-	-
Unassigned	6,556,730	7,257,140	-	-	-
Unreserved	-	-	8,855,139	8,625,441	8,810,167
Total General Fund	<u>\$ 7,598,290</u>	<u>\$ 8,271,929</u>	<u>\$ 8,855,139</u>	<u>\$ 8,625,441</u>	<u>\$ 8,810,167</u>
All Other Governmental Funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	5,861,993	8,151,564	-	-	-
Committed	515,350	874,445	-	-	-
Assigned	1,301,280	844,458	-	-	-
Unassigned	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	1,355,093	1,643,226	1,540,129
Capital project funds	-	-	4,085,795	5,806,257	4,127,878
Debt service funds	-	-	4,389,957	5,364,014	3,279,316
Total all other governmental funds	<u>\$ 7,678,623</u>	<u>\$ 9,870,467</u>	<u>\$ 9,830,845</u>	<u>\$ 12,813,497</u>	<u>\$ 8,947,323</u>

Source: The source of this information is the City's financial records

The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54 were adopted in fiscal year 2011. The standard replaces the previous reserved and unreserved fund balance categories with the following five fund balance classifications: nonspendable, restricted, committed, assigned, and unassigned fund balance.

CITY OF KINGMAN, ARIZONA
Governmental Funds Revenues
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	Fiscal Year Ended				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Taxes	\$ 20,139,073	\$ 18,999,119	\$ 18,233,584	\$ 17,529,714	\$ 14,786,791
Licenses and permits	872,223	725,207	741,706	101,622	105,838
Intergovernmental	11,227,466	10,989,801	11,075,799	10,682,169	10,801,137
Charges for services	1,500,846	1,451,655	1,565,569	1,914,551	1,960,633
Fines and forfeitures	319,004	304,666	257,840	248,962	278,219
Investment income	59,398	138,670	28,439	85,811	103,158
Special assessments	819,891	940,088	1,593,143	1,253,243	1,199,283
Development investment fees	-	-	-	166,708	-
Miscellaneous	201,148	100,706	137,039	355,454	948,777
Total revenues	<u>\$ 35,139,049</u>	<u>\$ 33,649,912</u>	<u>\$ 33,633,119</u>	<u>\$ 32,338,234</u>	<u>\$ 30,183,836</u>

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Taxes	\$ 13,654,183	\$ 13,286,198	\$ 13,616,649	\$ 14,642,023	\$ 15,661,691
Licenses and permits	108,992	314,819	74,280	75,476	78,852
Intergovernmental	9,286,440	10,953,747	10,567,956	10,760,995	12,489,710
Charges for services	1,687,949	1,355,590	1,819,751	2,084,053	2,556,038
Fines and forfeitures	290,488	269,943	260,767	296,701	343,852
Investment income	89,925	185,896	153,841	207,536	619,192
Special assessments	1,283,107	1,247,070	1,072,622	3,232,765	808,455
Development investment fees	399,094	582,054	99,817	-	-
Miscellaneous	391,347	445,739	365,075	898,950	459,490
Total revenues	<u>\$ 27,191,525</u>	<u>\$ 28,641,056</u>	<u>\$ 28,030,758</u>	<u>\$ 32,198,499</u>	<u>\$ 33,017,280</u>

Source: The source of this information is the City's financial records

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CITY OF KINGMAN, ARIZONA
Governmental Funds Expenditures and Debt Service Ratio
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	Fiscal Year Ended				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Expenditures:					
Current -					
General government	4,802,444	4,989,339	4,790,018	4,353,904	4,539,105
Public safety	16,543,924	15,650,195	14,778,302	14,691,686	14,045,641
Public works/Streets	4,328,420	3,534,809	3,503,362	3,144,347	3,161,449
Culture and recreation	4,070,937	3,552,834	3,588,923	3,403,471	3,421,827
Economic development	255,393	242,034	264,772	387,389	528,376
Capital outlay	2,443,782	2,430,303	2,260,223	2,572,408	2,331,545
Debt service -					
Bond issuance costs	-	-	-	-	-
Principal retirement	941,578	1,666,483	1,588,434	2,132,252	1,834,274
Interest and fiscal charges	256,538	322,387	402,630	506,638	599,386
Total expenditures	<u>33,643,016</u>	<u>32,388,384</u>	<u>31,176,664</u>	<u>31,192,095</u>	<u>30,461,603</u>
Expenditures for capitalized assets	2,231,009	3,432,748	1,997,145	2,214,715	2,025,792
Debt service as a percentage of noncapital expenditures	4%	7%	7%	9%	9%

(Continued)

CITY OF KINGMAN, ARIZONA
Governmental Funds Expenditures and Debt Service Ratio
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	Fiscal Year Ended				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenditures:					
Current -					
General government	4,678,344	4,814,224	4,455,010	4,455,724	5,082,263
Public safety	14,243,346	13,347,817	13,930,915	14,635,020	15,131,180
Public works/Streets	2,499,309	2,732,646	2,995,398	3,018,176	3,717,739
Culture and recreation	3,369,620	3,482,574	3,431,368	3,635,466	4,568,448
Economic development	647,842	1,121,263	488,824	263,220	235,850
Capital outlay	1,848,176	1,881,691	3,563,268	4,614,786	2,406,306
Debt service -					
Bond issuance costs	-	-	-	112,230	-
Principal retirement	2,012,640	1,929,322	1,704,085	2,115,553	1,998,234
Interest and fiscal charges	694,760	772,656	851,495	670,219	733,249
Total expenditures	<u>29,994,037</u>	<u>30,082,193</u>	<u>31,420,363</u>	<u>33,520,394</u>	<u>33,873,269</u>
Expenditures for capitalized assets	1,739,465	1,618,947	2,705,171	3,693,462	1,848,135
Debt service as a percentage of noncapital expenditures	10%	9%	9%	9%	9%

Source: The source of this information is the City's financial records

(Concluded)

CITY OF KINGMAN, ARIZONA
Other Financing Sources and Uses and Net Changes in Fund Balances – Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	Fiscal Year Ended				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Excess (deficiency) of revenues over expenditures	1,496,033	1,261,528	2,456,455	1,146,139	(277,767)
Other financing sources (uses):					
Obligations under capital lease	-	-	-	-	-
Special assessment bonds issued	-	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-	349,025
Transfers in	3,560,461	1,879,294	2,120,497	3,267,001	3,417,672
Transfers out	(2,287,736)	(986,802)	(1,283,723)	(2,121,065)	(2,433,336)
Insurance recovery	-	-	500,000	-	-
Total other financing sources (uses)	<u>1,272,725</u>	<u>892,492</u>	<u>1,336,774</u>	<u>1,145,936</u>	<u>1,333,361</u>
Changes in fund balances	<u>\$ 2,768,758</u>	<u>\$ 2,154,020</u>	<u>\$ 3,793,229</u>	<u>\$ 2,292,075</u>	<u>\$ 1,055,594</u>
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Excess (deficiency) of revenues over expenditures	(2,802,512)	(1,441,407)	(3,389,605)	(1,085,326)	(855,989)
Other financing sources (uses):					
Obligations under capital lease	-	197,900	-	-	453,600
General obligation bonds issued	-	-	-	-	-
Special assessment bonds issued	-	-	-	3,880,000	-
Proceeds from the sale of capital assets	-	-	-	-	-
Premium on sale of bonds	-	-	-	-	-
Transfers in	3,047,349	2,936,992	3,557,643	4,596,935	3,095,978
Transfers out	(3,110,320)	(2,237,073)	(2,920,992)	(3,710,161)	(2,537,820)
Total other financing sources (uses)	<u>(62,971)</u>	<u>897,819</u>	<u>636,651</u>	<u>4,766,774</u>	<u>1,011,758</u>
Changes in fund balances	<u>\$ (2,865,483)</u>	<u>\$ (543,588)</u>	<u>\$ (2,752,954)</u>	<u>\$ 3,681,448</u>	<u>\$ 155,769</u>

Source: The source of this information is the City's financial records

CITY OF KINGMAN, ARIZONA
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Overlapping Rates					
Fiscal Year Ended June 30	City of Kingman	City of Kingman Hospitality	City of Kingman Restaurant/Bar	Mohave County	Arizona State
2017	2.50	4.00	1.00	0.25	5.60
2016	2.50	4.00	1.00	0.25	5.60
2015	2.50	4.00	1.00	0.25	5.60
2014	2.50	4.00	1.00	0.25	5.60
2013	2.00	4.00	2.00	0.25	6.60
2012	2.00	4.00	2.00	0.25	6.60
2011	2.00	4.00		0.25	6.60
2010	2.00	4.00		0.25	6.60
2009	2.00	2.00		0.25	5.60
2008	2.00	2.00		0.25	5.60

Source: The source of this information is the Arizona Department of Revenue.

Note: The City of Kingman Restaurant/Bar tax began in the fiscal year ended 2012, therefore information prior to 2012 is not presented.

CITY OF KINGMAN, ARIZONA
Taxable Sales by Category
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Construction	\$ 885,107	\$ 846,986	\$ 928,105	\$ 1,111,314	\$ 629,605
Manufacturing	302,422	342,630	280,964	251,667	237,434
Transportation, Communications and Utilities	825,272	873,338	829,954	834,372	457,619
Wholesale Trade	654,263	609,619	569,261	572,132	408,394
Retail Trade	9,007,432	8,450,028	8,181,831	7,630,657	6,066,455
Restaurants and Bars	2,688,338	2,606,062	2,486,514	2,397,855	2,350,096
Finance Insurance and Real Estate	896,660	807,207	703,096	725,086	635,710
Hotels and Other Lodging	1,462,373	1,314,643	1,237,862	1,180,613	1,050,076
Services	670,068	606,613	584,208	536,521	513,896
Arts, Entertainment, Government and All Others Not Specified	315,690	254,428	301,480	244,202	188,700
Total	<u><u>\$ 17,707,625</u></u>	<u><u>\$ 16,711,554</u></u>	<u><u>\$ 16,103,275</u></u>	<u><u>\$ 15,484,419</u></u>	<u><u>\$ 12,537,985</u></u>

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Construction	\$ 639,713	\$ 705,221	\$ 1,204,811	\$ 1,419,917	\$ 1,132,750
Manufacturing	238,510	230,986	370,772	283,793	340,977
Transportation, Communications and Utilities	675,308	707,440	679,552	620,639	645,208
Wholesale Trade	440,940	451,072	462,183	444,032	614,780
Retail Trade	5,876,279	5,600,574	5,574,966	6,142,681	6,994,596
Restaurants and Bars	1,683,031	1,186,983	1,138,191	1,165,015	1,139,837
Finance Insurance and Real Estate	588,454	697,416	625,439	626,006	633,877
Hotels and Other Lodging	1,115,913	1,163,676	824,189	705,129	771,648
Services	433,964	379,871	494,812	402,171	508,895
Arts, Entertainment, Government and All Others Not Specified	219,374	141,495	273,508	215,027	207,934
Total	<u><u>\$ 11,911,486</u></u>	<u><u>\$ 11,264,734</u></u>	<u><u>\$ 11,648,423</u></u>	<u><u>\$ 12,024,410</u></u>	<u><u>\$ 12,990,502</u></u>

Source: The source of this information is the City's financial records.

CITY OF KINGMAN, ARIZONA
Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Excise Tax Revenue Bonds	Special Assessment Bonds	Capital Leases	Loans Payable	Capital Leases	Loans Payable			
2017	740,000	2,613,641	115,445	-	173,174	30,556,211	34,198,471	0.55%	1,155
2016	970,000	3,227,128	268,089	-	336,833	36,551,073	41,353,123	0.68%	1,429
2015	1,190,000	4,580,189	413,478	-	491,499	38,838,745	45,513,911	0.81%	1,598
2014	2,220,000	5,868,850	425,120	-	637,680	41,049,491	50,201,141	0.90%	1,772
2013	2,810,000	7,084,129	568,144	-	775,833	43,186,134	54,424,240	0.98%	1,921
2012	3,295,000	8,237,045	703,024	-	906,399	43,574,689	56,716,157	1.07%	2,021
2011	3,745,000	9,328,616	830,225	350,000	1,029,795	36,518,174	51,801,810	0.99%	1,729
2010	4,160,000	10,364,859	764,278	700,000	1,146,417	28,784,054	45,919,608	0.90%	1,523
2009	4,975,000	11,217,205	837,756	1,100,000	1,256,634	7,307,221	26,693,816	0.52%	868
2008	5,745,000	8,153,036	907,200	1,550,000	1,360,800	4,395,714	22,111,750	0.47%	717

Source: The source of this information is the City's financial records

CITY OF KINGMAN, ARIZONA
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2017:

Secondary assessed valuation	\$ 194,280,791
Debt limit (6% of assessed value)	11,656,847
Debt applicable to limit	-
Legal debt margin	<u>\$ 11,656,847</u>

Fiscal Year Ended June 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Debt limit equal to 6% of assessed valuation	\$ 11,656,847	\$ 10,967,474	\$ 10,683,372	\$ 11,279,799	\$ 11,854,935
Total net debt applicable to limit	<u>-</u>	<u>970,000</u>	<u>1,190,000</u>	<u>2,220,000</u>	<u>2,810,000</u>
Legal debt margin	<u>\$ 11,656,847</u>	<u>\$ 9,997,474</u>	<u>\$ 9,493,372</u>	<u>\$ 9,059,799</u>	<u>\$ 9,044,935</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	9%	11%	20%	24%
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Debt limit equal to 6% of assessed valuation	\$ 15,803,800	\$ 18,580,084	\$ 18,689,250	\$ 20,061,270	\$ 14,810,118
Total net debt applicable to limit	<u>3,295,000</u>	<u>3,745,000</u>	<u>4,160,000</u>	<u>2,945,000</u>	<u>3,500,000</u>
Legal debt margin	<u>\$ 12,508,800</u>	<u>\$ 14,835,084</u>	<u>\$ 14,529,250</u>	<u>\$ 17,116,270</u>	<u>\$ 11,310,118</u>
Total net debt applicable to the limit as a percentage of debt limit	21%	20%	22%	15%	24%

Source: The source of this information is the City's financial records

Note: The City has no debt applicable to the 20% debt limit of \$38,856,158

CITY OF KINGMAN, ARIZONA
Direct and Overlapping Governmental Activities Debt
June 30, 2017

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable to the City</u>	<u>Estimated Amount Applicable to the City</u>
Kingman Unified School District	\$ 48,125,000	42.74%	<u>\$ 20,568,625</u>
Subtotal, Overlapping Debt			<u>20,568,625</u>
Direct:			
City of Kingman, AZ			<u>3,469,086</u>
Total Direct and Overlapping Governmental Activities Debt			<u><u>\$ 24,037,711</u></u>

DIRECT AND OVERLAPPING GENERAL BONDED DEBT RATIOS

Net Direct General Obligation Bonded Debt	
As a Percentage of Net Secondary Assessed Valuation	0.00%
Net Direct and Overlapping General Bonded Debt	
Per Capita	812
As a Percentage of Net Secondary Assessed Valuation	12.37%
As a Percentage of Estimated Actual Value (Full Cash Value)	1.28%

Source:

The source of this information is the City's records and the State and County Abstract of the Assessment Roll, Arizona Department of Revenue and the applicable governmental unit.

Notes:

The estimated percentage of debt outstanding applicable to the City is calculated based on the City's secondary assessed valuation as a percentage of the secondary assessed valuation of the overlapping jurisdiction.

CITY OF KINGMAN, ARIZONA
Pledged Revenue Coverage
Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Excise Tax Revenue Bonds										
Excise Tax Revenue	24,868,699	23,597,282	22,902,512	22,493,084	20,295,258	18,344,361	18,106,118	19,359,466	21,228,915	22,896,032
Debt Service										
Principal	230,000	220,000	210,000	820,000	590,000	485,000	450,000	460,125	445,750	436,125
Interest	40,588	49,938	57,813	97,244	123,819	145,219	164,713	17,188	146,875	157,200
Total Annual Requirement	270,588	269,938	267,813	917,244	713,819	630,219	614,713	477,313	592,625	593,325
Estimated Coverage	91.9	87.4	85.5	24.5	28.4	29.1	29.5	40.6	35.8	38.6
Water Infrastructure Financing Authority (WIFA) Loans										
Wastewater Utility Revenue	8,481,857	7,184,022	7,146,594	7,268,798	5,905,330	3,544,586	2,945,758	1,745,223	1,927,194	
Debt Service										
Principal	5,994,862	2,287,672	2,210,748	2,136,643	2,154,752	1,956,193	1,415,635	-	-	
Interest	1,128,190	1,346,389	1,423,312	1,497,417	1,542,839	1,365,941	653,395	305,760	50,956	
Total Annual Requirement	7,123,052	3,634,061	3,634,060	3,634,060	3,697,591	3,322,134	2,069,030	305,760	50,956	
Estimated Coverage	1.2	2.0	2.0	2.0	1.6	1.1	1.4	5.7	37.8	

Source: The source of this information is the City's financial records

Notes: 1) Only nine years are presented, as the WIFA Loans were entered into during fiscal year 2008-09.

2) WIFA waived the City's rate covenant requirement for the fiscal year 2011-12 based on projections made at the time the agreement for Loan 910149-11 was executed.

CITY OF KINGMAN, ARIZONA
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
2016	29,600	\$ 6,166,757	\$ 30,045	6.1
2015	28,942	6,040,669	29,505	7.5
2014	28,476	5,633,946	27,704	8.8
2013	28,336	5,601,076	27,971	10.8
2012	28,029	5,534,671	27,220	11.4
2011	28,068	5,290,530	26,145	13.1
2010	28,055	5,249,000	25,165	12.7
2009	27,823	5,101,000	28,018	11.1
2008	27,766	5,124,115	26,197	7.0
2007	26,917	4,682,940	23,908	4.4

Sources: The source of the "Personal Income" and "Per Capita" information is the Bureau of Economic Analysis.
The source of the "Population" information is the State of Arizona, Department of Administration.
The source of "Unemployment Rate" information is the Bureau of Labor Statistics

CITY OF KINGMAN, ARIZONA
Principal Employers
Current Fiscal Year and Fiscal Year Ten Years Ago

Employer	2017		2008	
	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
Kingman Regional Medical Center	1,620	12.88 %	1,274	16.66 %
Mohave County	1,264	10.05	1,322	17.28
Kingman Unified School District No. 20	920	7.31	985	12.88
Mohave Community College	719	5.72	700	9.15
American Woodmark Corporation	650	5.17	650	8.50
City of Kingman	346	2.75	372	4.86
State of Arizona	278	2.21	318	4.16
Citizens Utilities (Unisource)	112	0.89	400	5.23
Laron, Inc.	110	0.87	-	0.00
TruServ	75	0.60	85	1.11
Total	<u>6,094</u>	<u>48.44 %</u>	<u>6,106</u>	<u>79.83 %</u>
Total Employment	<u>12,580</u>		<u>7,649</u>	

Sources: 1) The source of the 2008 and 2017 employee figures is City of Kingman Planning and Zoning and an individual employer survey.
2) The source of the total employment figures is the Arizona Commerce Authority.

CITY OF KINGMAN, ARIZONA
Full-Time Equivalent Government Employees by Function/Program
Last Ten Fiscal Years

Full-time Equivalent Employees as of June 30										
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Government										
City Administration	8	8	8	8	8	8	8	9	9	10
Human Resources	4.5	4.5	4.5	4	4	4	4	4	4	4.5
City Clerk	3	3	3	3	3	4	4	4	4	3
City Attorney	6	6	6	6	6	6	7	7	7	7
Municipal Court	9.5	8.5	8.5	8.5	8.5	8.5	8.5	9	9	9
Finance	13	13	13	13	13	13	13	14	14	14
Total general government	44	43	43	42.5	42.5	43.5	44.5	47	47	47.5
Public Safety										
Police	70	70	70	70	70	70	84	87	87	87
Dispatch Center	16	16	16	16	16	16	0	0	0	0
Firefighters	58	53	52	52	52	52	52	56	56	59
Total public safety	144	139	138	138	138	138	136	143	143	146
Public Works										
Engineering	17	15	15	14	15	15	15	22	21.75	21.75
Others	38	38	37	37	37	38	41	45	44	44.5
Total public works	55	53	52	51	52	53	56	67	65.75	66.25
Parks and Recreation	34	33	33	33	33	34.5	34.75	39.75	39.75	39.75
Information Technology	6	7	7	7	7	7	7	7	7	7
City Development	8	10	10	11	12	11	14	18	19	20
Sanitation	18	17	17	17	17	17	17	17	17	17
Water and Wastewater	37	32	32	32	31	30	30	32	33	30
Total support and administration	103	99	99	100	100	99.5	102.75	113.75	115.75	113.75
Total	346	334	332	331.5	332.5	334	339.25	370.75	371.5	373.5

CITY OF KINGMAN, ARIZONA
Capital Assets Statistics by Function
Last Ten Fiscal Years

<u>Function</u>	<u>Fiscal Year Ended June 30</u>									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	79	72	84	87	85	80	78	74	74	78
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire vehicles	26	28	33	30	29	27	27	27	27	28
Streets										
Streets (miles)	224	224	224	224	224	215	215	215	215	215
Streetlights	851	851	851	851	851	851	851	851	851	851
Traffic signals	24	24	24	24	24	24	24	24	20	20
Solid Waste										
Collection trucks	28	25	25	26	26	25	23	23	21	21
Parks and Recreation										
Parks developed	13	13	13	13	13	13	13	13	13	13
Parks acreage	146	146	146	146	146	146	146	146	146	146
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	4	4	4	4	4	4	1	4	4	4
Community centers	1	1	1	1	1	1	1	1	1	1
Golf courses	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	564	564	564	564	564	564	564	564	564	564
Fire hydrants	2,485	2,485	2,485	2,485	2,485	2,485	2,485	2,485	2,485	2,485
Wastewater										
Sanitary sewers (miles)	199	199	199	199	199	199	199	199	199	198
Manholes	2,997	2,997	2,997	2,997	2,997	2,997	2,997	2,997	2,997	2,997

Source: The source of this information is the City's facilities records.

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CITY OF KINGMAN, ARIZONA
Operating Indicators by Function/Program
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Governmental Activities					
General Government					
Business licenses issued	2,087	2,355	2,052	2,585	2,430
Voters served	16,650	16,649	17,072	17,000	15,966
Public records requests	80	80	86	55	46
Prosecutions (3)	1,176	1,176	1,216	1,300	1,203
Legal opinions (3)	80-100	80-100	80-100	50-70	50-70
Civil litigation (3)	7	7	7	3	5
Case filings	3,902	3,641	3,073	3,600	3,600
Case terminations	3,761	3,685	2,847	850	724
Computers installed and supported	335	310	295	295	295
Phones installed and supported	255	245	244	244	244
Public Safety					
Total calls for service	44,232	38,760	35,366	40,000	40,000
Total arrests	4,468	3,927	3,879	2,900	2,900
Traffic accidents	1,066	1,004	1,004	950	950
Alarm runs	614	683	541	650	650
VIP program - volunteers	15	13	13	20	20
Clearance Rate - Part I offenses	85%	83%	71%	75%	75%
Clearance Rate - Part II offenses	85%	83%	71%	75%	75%
Response Time - Under 90 seconds (2)	21%	75%	65%	66%	73%
Fire inspections	1,496	1,404	1,760	1,875	1,850
Plan reviews - fire	356	301	322	170	180
Public education programs - fire	185	357	409	250	245
Highway & Streets					
Paved streets maintained (miles) (1)	435	434	230	208	208
Dirt streets maintained (miles)	18	16	16	16	16
Traffic signals maintained	24	24	24	24	24
Street lights maintained	850	850	850	850	850
Culture and Recreation					
Acres of ground maintained	269	268	268	269	269
Miles of medians and trails maintained	16.5	18.0	15.0	16.5	15.5
Number of sites maintained	20	26	18	20	20
Business-type Activities					
Water					
Acre feet of water pumped	8,082	7,729	7,988	7,995	7,995
Number of meters	20,975	20,665	20,430	19,813	19,813
Percentage of water loss	15%	13%	17%	11%	11%
Wastewater					
Total influent Hilltop WWPT (gallons)	573,375,000	582,700,000	578,000,000	528,000,000	528,000,000
Total influent Downtown WWTP (gallons)	86,951,000	85,800,000	85,800,000	96,000,000	96,000,000
Number of sewer lines cleaned/televised (feet)	741,306	411,200	400,500	375,000	375,000
Sanitation					
Landfill tonnage	22,125	21,898	22,466	22,500	21,598
Number of landfill trips	3,917	3,967	3,996	3,700	3,631
Number of residential accounts	10,757	10,647	10,524	10,063	9,918
Number of commercial accounts	925	923	921	906	924

CITY OF KINGMAN, ARIZONA
Operating Indicators by Function/Program
Last Ten Fiscal Years

	Fiscal Year Ended June 30				
	2012	2011	2010	2009	2008
Governmental Activities					
General Government					
Business licenses issued	2,441	2,825	2,892	2,392	2,704
Voters served	16,000	17,000	19,000	18,000	17,528
Public records requests	46	50	210	156	102
Prosecutions	1,300	1,300	1,150	1,020	1,200
Legal opinions	40-50	40-50	40-50	40-50	30-40
Civil litigation	3-7	2-5	3-7	2-5	4
Case filings	5,600	5,600	5,580	5,073	4,612
Case terminations	6,000	6,000	6,132	5,575	5,068
Computers installed and supported	295	295	295	295	290
Phones installed and supported	244	244	244	244	232
Public Safety					
Total calls for service	40,453	31,911	32,000	29,161	31,313
Total arrests	3,153	3,117	3,300	3,136	3,512
Traffic accidents	996	999	1,200	1,139	1,253
Alarm runs	715	794	900	892	979
VIP program - volunteers	14	14	20	15	3
Clearance Rate - Part I offenses	70%	60%	65%	63%	63%
Clearance Rate - Part II offenses	70%	60%	65%	63%	63%
Response Time - Under 90 seconds	78%	80%	N/A	N/A	N/A
Fire inspections	2,129	2,100	2,100	1,950	2,299
Plan reviews - fire	160	144	150	120	326
Public education programs - fire	245	257	150	200	222
Highway & Streets					
Paved streets maintained (miles)	208	208	208	208	204
Dirt streets maintained (miles)	16	16	16	17	17
Traffic signals maintained	17	18	17	17	17
Street lights maintained	850	850	850	850	850
Culture and Recreation					
Acres of ground maintained	269	269	269	268	263
Miles of medians and trails maintained	15.5	15.5	15.5	15.0	14.5
Number of sites maintained	19	19	19	19	18
Business-type Activities					
Water					
Acre feet of water pumped	7,963	7,895	7,982	8,235	9,082
Number of meters	19,763	19,723	19,652	19,652	19,382
Percentage of water loss	9%	4%	N/A	4.79	5.80
Wastewater					
Total influent Hilltop WWPT (gallons)	569,430,000	547,000,000	575,000,000	555,440,000	549,449,000
Total influent Downtown WWTP (gallons)	76,322,000	113,150,000	113,150,000	113,150,000	113,150,000
Number of sewer lines cleaned/televised (feet)	457,800	325,000	325,000	325,000	300,000
Sanitation					
Landfill tonnage	22,104	21,614	21,560	22,047	23,228
Number of landfill trips	3,623	3,536	3,496	3,649	3,836
Number of residential accounts	10,075	9,899	10,308	9,877	9,777
Number of commercial accounts	910	925	1,059	926	936

Source: City of Kingman Adopted Budget performance measures

Notes: N/A indicates that the information is not available.

- (1) In Fiscal Year 2016 the City starting using lane miles instead of centerline miles for this performance measure.
- (2) In Fiscal Year 2017 the City changed the measure for Alarm Handling. In prior years call handling and dispatch were measured separately. In Fiscal Year 2017 the measure is from call create to dispatch.
- (3) Performance measures were not available for the City Attorney for Fiscal Year 2017.

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FEDERAL AND STATE REPORTS

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MEMBERS:

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**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Honorable Mayor and
City Council
Kingman, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kingman, Arizona as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Kingman, Arizona's basic financial statements, and have issued our report thereon dated December 27, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Kingman, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kingman, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Kingman, Arizona's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kingman, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "HintonBurdick Arizona PLLC". The signature is written in a cursive, flowing style.

HintonBurdick Arizona, PLLC
Flagstaff, Arizona
December 27, 2017



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**Independent Auditors' Report on
State Legal Compliance**

The Honorable Mayor and
City Council
Kingman, Arizona

We have audited the basic financial statements of the City of Kingman, Arizona for the year ended June 30, 2017, and have issued our report thereon dated December 27, 2017. Our audit also included test work on the City of Kingman's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the City of Kingman is responsible for the City's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The City of Kingman has established separate funds to account for Highway User Revenue funds and Local Transportation Assistance funds. Highway user revenue fund monies received by the City of Kingman pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the City's compliance with annual expenditure limitations has been issued separately with the City's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, The City of Kingman complied, in all material respects, with the requirements identified above for the year ended June 30, 2017.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

HintonBurdick Arizona, PLLC
Flagstaff, Arizona
December 27, 2017

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CITY OF KINGMAN, ARIZONA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Grantor Agency and Program Title	Federal CFDA Number	Other Identification Number	Federal Expenditures
U.S. Department of Justice			
Passed through Arizona Criminal Justice Commission:			
Edward Byrne Memorial Justice Assistance Grant	16.738	DC-17-007	\$ 136,125
Internet Crimes Against Children Task Force	16.800	139968-0	3,000
Equitable Sharing Program	16.922		3,808
Bureau of Justice Assistance			
Bulletproof Vest Partnership Program	16.607		8,142
U.S. Department of Transportation			
Passed through Arizona Department of Transportation:			
Highway Planning and Construction	20.205	KNG-0(208)T	27,565
Formula Grants for Rural Areas	20.509	GRT-16-0005996-T	532,942
Passed through the Arizona Governor's Office of Highway Safety:			
National Priority Safety Programs	20.616	2016-405d-004	7,912
National Priority Safety Programs	20.616	2017-405d-015	17,619
			25,531
Executive Office of the President			
Passed through the City of Tucson, Arizona:			
High Intensity Drug Trafficking Area Program	95.001	HT-15-2503	21,422
High Intensity Drug Trafficking Area Program	95.001	HT-15-2513	19,016
High Intensity Drug Trafficking Area Program	95.001	HT-16-2602	10,911
High Intensity Drug Trafficking Area Program	95.001	HT-16-2612	40,250
			91,599
U.S. Department of Homeland Security			
Passed through the Arizona Department of Homeland Security:			
Assistance to Firefighters Grant	97.044	EMW-2016-SS-00119-S01	31,837
Homeland Security Grant	97.067	EMW-2013-FO-01357-001	20,349
Homeland Security Grant	97.067	EMW-2015-FP-00105	8,229
			28,578
Total expenditure of federal awards			\$ 889,127

CITY OF KINGMAN, ARIZONA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Reporting Entity:

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the City of Kingman, Arizona. The City's reporting entity is defined in Note 1 of the basic financial statements. All expenditure of federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

Basis of Accounting:

This accompanying schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Subrecipients:

There are no subrecipients.

Indirect Cost Rate:

The City has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Federal Loans Outstanding:

There are no outstanding balances for federal loan or loan guarantee programs at June 30, 2017.



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**Independent Auditors' Report on Compliance for
Each Major Program and on Internal Control over
Compliance Required by the Uniform Guidance**

The Honorable Mayor and
City Council
City of Kingman, Arizona

Report on Compliance for Each Major Federal Program

We have audited the City of Kingman, Arizona's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Kingman, Arizona's major federal programs for the year ended June 30, 2017. The City of Kingman, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Kingman, Arizona's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Kingman, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Kingman, Arizona's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Kingman, Arizona, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the City of Kingman, Arizona, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Kingman, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Kingman, Arizona's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



HintonBurdick Arizona, PLLC
Flagstaff, Arizona
December 27, 2017

CITY OF KINGMAN, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? yes x no

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weakness identified? yes x no
- Significant deficiencies identified? yes x no

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
20.509	Formula Grants for Rural Areas

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes x no

CITY OF KINGMAN, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section II - Financial Statement Findings

No significant matters were noted.

Section III - Federal Award Findings and Questioned Costs

No significant matters were noted.

Section IV – Summary of Prior Year Findings and Questioned Costs

No significant matters were noted.